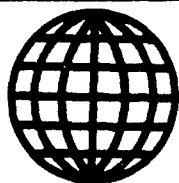


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GENERAL

INTERNATIONAL

WORLD FOOD COUNCIL ADOPTS 'BEIJING DECLARATION'

OW112000 Beijing XINHUA in English 1637 GMT 11 Jun 87

[Excerpt] Beijing, 11 June (XINHUA)--The 13th session of the World Food Council ended here today with the adoption of the "Beijing Declaration".

As the third declaration adopted by the WFC since its founding in 1975, the Beijing Declaration draws the attention of the international community to the growing number of human lives lost to hunger and malnutrition, one of the worst scourges in the world.

It also notes, however, that, in the light of the experience of a number of developing countries, mankind can feed itself if it adopts the proper means.

The declaration calls upon those responsible for national economic adjustment programs to give priority to the requirements of integrated rural development.

It urges the developed countries and major financial bodies to take into consideration the great difficulties of developing countries in repaying their debts and to set up the necessary financial instruments for national economic recovery.

It urges those responsible for trade negotiations to re-establish a healthy and equitable exchange of agricultural products and to allow the fair participation of developing countries.

It also suggests that governments and international organizations should further encourage regional and south-south cooperation, particularly in support of food production, agro-industries, trade and management, and institution-building.

Representatives from 34 of the 36 member states of the WFC, the only ministerial agency in the United Nations, and representatives and observers from many other countries and international organizations attended the four-day session.

The Chinese government attached great importance to the session, with acting Premier Wan Li making a speech at the opening ceremony and President Li Xiannian meeting with representatives.

/12858

CSO: 4000/102

VENICE SUMMIT DOCUMENTS GLOSS OVER DIFFERENCES

OW110648 Beijing XINHUA in English 0611 GMT 11 Jun 87

["Economic Summit: Many Documents but Few Results"--XINHUA headline]

[Text] Venice, Italy, 10 June (XINHUA)--The three-day 13th summit of seven Western industrialized countries, which ended here today, impressed observers with as many as seven documents but few substantial results.

The seven documents, a figure rarely seen at previous summits, on East-West relations, the Gulf War, terrorism, economic issues, political issues and AIDS and drug problems, were published obviously to create an atmosphere necessary for making the meeting look successful.

Actually, the meeting proved to be one with no real winners or losers. However, each of the summiteers can go home telling people about the limited achievements at the three-day summit meeting.

Sure, the participants have identical views on a number of major issues in the world today. What is strange is that, according to the documents, they seemed to be identical on the issues over which they seriously differ with one another.

A careful study of these documents suggests, however, that they failed to solve the difference on many issues, particularly economic ones.

Against the background of a slowing Western economy threatened by a future of recession, the United States has asked Japan and Federal Germany to inject more life to the economy of the West as a whole.

In response, Japan and Federal Germany request the Americans to try to reduce their financial deficits.

But the economic document issued Wednesday tries to cover up the opposing views with carefully chosen words.

The document said Japan should do more to open its domestic market while Federal Germany should work hard to stimulate its domestic economy.

Meanwhile, the document said, the United States should do its bit by cutting its budget deficit. Thus the document glossed over the difference between the two sides.

In fact, it is reported that, in a private meeting, Federal German Chancellor Helmut Kohl turned down U.S. President Ronald Reagan's request to lower the interest rates to stimulate the economy.

President Reagan also failed to win support from Western Europe for his initiative on eliminating government subsidies to agricultural products.

In this respect, the document just talked in generality about farm commodities, saying the summiteers agreed to gradually reduce the subsidies through coordination.

The participants agreed that economic indicators shall be used to strengthen their policy coordination and that their finance ministers should meet at least three times a year.

But the coordination will not bind the seven countries. Each country will implement the agreement only when it deems the coordination in conformity with its interests.

In the document, the leaders of the seven countries also pledged to provide more official financial aid to debtor countries. The document divided Third World debtor countries into two groups--low-income and high-income countries.

According to the document, the leaders promised to offer to the first group preferential interests and help reschedule the repayment or cancel the debt.

Reporters from Third World debtor countries here commented that they would wait and see whether the promise would be fulfilled.

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CSO: 4000/102

GENERAL

INTERNATIONAL

U.S., ANGOLAN OFFICIALS HOLD TALKS IN WASHINGTON

OW130630 Beijing XINHUA in English 0619 GMT 13 Jun 87

[Excerpt] Washington, 12 June (XINHUA)--Chester Crocker, assistant U.S. secretary of state for African affairs, and an Angolan delegation Thursday held an informal meeting to discuss relations between the two countries, the State Department said today.

Both Angolan and U.S. officials said the meeting did not mark a formal resumption of negotiations over foreign troops withdrawal from Angola.

The high-level Angolan delegation, led by Angola's reported No 2 figure Pedro de Castro Van-dunem, was here on a private visit.

At a news conference Thursday, Van-dunem said his country is "completely open" to discussions with the United States.

The next session of the negotiations is scheduled to be resumed within the next few weeks in Luanda, capital of Angola U.S. sources said.

Crocker and Angolan government representatives met in Brazzaville, capital of the Congo, in April for the first time in more than a year trying to resume the official talks between the two countries.

The Angolans broke off talks with the United States in March 1986, after Washington began delivering military aid to Angola's anti-government forces, the National Union for the Total Independence of Angola (UNITA) led by Jonas Savimbi.

The United States decided this week to provide at least \$15 million in additional military aid to the UNITA this year. The new package of aid will be in the form of military hardware, including Stinger anti-aircraft missiles.

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CSO: 4000/102

GENERAL

INTERNATIONAL

U.S. PLANS MORE MILITARY AID TO ANGOLAN REBELS

OW120352 Beijing XINHUA in English 2354 GMT 11 Jun 87

[Excerpt] Washington, 11 June (XINHUA)--The Reagan Administration has informed Congress that it has decided to provide at least \$15 million in additional military aid to the Angolan anti-government forces, according to U.S. officials.

The officials, quoted in a report published in the NEW YORK TIMES today, said the new package of aid this year to the National Union for the Total Liberation of Angola (UNITA) headed by Jonas Savimbi, will be in the form of military hardware, including Stinger anti-aircraft missiles.

In addition to Stinger missiles, the UNITA forces are to receive some variety of anti-tank missiles to counter so-called new shipment of Soviet tanks to the Luanda government forces.

The U.S. officials said that providing military aid to the UNITA would put pressure on the Luanda government to seek a settlement of the 12-year-old civil war and to send home foreign troops as part of a package intended to lead to independence for Namibia.

It's noted that while the United States is providing military aid to the UNITA forces, it is trying to improve relations with the government of Angola.

A senior State Department official met with Angolan government representatives in April for the first time in more than a year to try to resume the official talks between the two countries which were broken off after Washington began delivering military aid to the UNITA forces.

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CSO: 4000/102

GENERAL

INTERNATIONAL

U.S. CONDEMNS SOUTH AFRICA EXTENDING EMERGENCY

OW120400 Beijing XINHUA in English 0027 GMT 12 Jun 87

[Text] Washington, 11 June (XINHUA)--The United States today condemned South Africa's decision to extend the state of emergency for another year.

"We have consistently maintained that we saw no justification for the first state of emergency in South Africa," State Department spokeswoman Phyllis Oakley said. "We see no justification for the extension of the current state of emergency."

The spokeswoman said the South African "activities and decisions show a lack of appreciation for the fundamental causes of unrest and violence there. The reinstatement of these measures will only continue to undermine opportunities for dialogue, which could lead to a resolution of South Africa's internal problems."

The Pretoria authority announced Wednesday to extend the country's state of emergency for a second year.

The current state of emergency, which was imposed last 12 June amidst growing resistance in black townships against minority white rule, expires at midnight Thursday.

The state of emergency, during which an estimated total of 30,000 persons have been detained, bans all unauthorized meetings and gives sweeping powers to police to detain suspected "subversives indefinitely without bringing charges."

It also led to the most severe press restrictions in the world.

Although the United States condemns the extension of emergency in South Africa, observers here take note of the fact that over long years the U.S. has been strongly opposed to the imposition by the international community of comprehensive economic sanctions against the Pretoria regime.

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CSO: 4000/102

LIAOWANG DETAILS KIM IL-SONG'S VISIT TO PRC

HK100805 Beijing LIAOWANG in Chinese No 22, 1 Jun 87 p 5

[Article by Liu Jinghuai (0491 2417 2037): "Everlasting Friendship"]

[Text] On the morning of 22 May, Deng Xiaoping, chairman of the CPC Central Committee Advisory Commission, gave a banquet in honor of Kim Il-song, general secretary of the Workers Party of Korea Central Committee and president of the DPRK and the principal members of his entourage at Yangyuan Court, surrounded by green trees and a murmuring stream. During the feast, after Chairman Deng proposed a toast to President Kim's good health and long life and everlasting Sino-Korean friendship, the two leaders quaffed their fragrant Maotai wine in one gulp. Before the feast, they held cordial talks to brief each other on their domestic situations and to exchange views on international issues of common concern.

President Kim Il-song arrived in Beijing on 21 May on an official visit to China. During the visit, Chinese leaders Comrades Zhao Ziyang and Li Xiannian held cordial and friendly talks and meetings with President Kim Il-song. Deng Yingchao, chairman of the CPPCC National Committee, also called on President Kim Il-song at the Tiaoyutai state guesthouse.

China and Korea are neighboring countries as closely related as lips and teeth. The two parties and peoples of China and Korea, whether in the past struggles against imperialist aggression and for safeguarding national independence or in the current cause of socialist construction and for peaceful reunification of their countries, have always supported and helped each other, thus forging a profound friendship. At a meeting with President Kim Il-song, President Li Xiannian highly appraised the profound friendship cemented with blood between the Chinese and Korean peoples. He said: "We shed our blood in a trench, and it was hard to distinguish the blood shed by Chinese comrades from that by Korean comrades. The friendship between us is unbreakable." When calling on President Kim Il-song, Deng Yingchao said: "We are old friends. The Chinese and Koreans have fought together for dozens of years. Our friendship is sealed in blood." President Kim Il-song said: "In the difficult years, the Chinese people shed a lot of blood for us. Since the liberation of Korea, China has also extended much assistance to us. The Korean people will never forget this." When talking about bilateral relations, leaders of the two countries unanimously agreed that continuously consolidating and strengthening the

long-tested friendship between China and Korea is the common aspiration of the two parties, governments, and peoples. Both sides hoped that this fraternal friendship would be passed on to future generations.

During the talks with acting General Secretary Zhao Ziyang, President Kim Il-song briefed him on the situation of Korea's socialist construction, emphasizing the objective and progress of Korea's Third 7-Year Plan for national economic development which started this year. Zhao Ziyang said: "We are pleased by the tremendous successes achieved by the fraternal Korean people under the leadership of President Kim Il-song and the Workers Party of Korea and believe that the Korean people will certainly realize their magnificent goals by understanding their actual conditions and continuing to display their revolutionary spirit toward hard work." Comrade Zhao Ziyang gave a detailed account of our country's current political and economic situation and its tentative plan for political structural reform. The two leaders briefed each other on the two countries' relations with other countries, exchanged views in a thorough way on international issues of interest to both sides and reached a consensus on a wide range of issues. Comrade Zhao Ziyang was pleased to see the new development of the DPRK's external relations in recent years and that the Korean comrades have become more active in international affairs.

Talking about the situation of the Korean Peninsula, in his speech at the welcoming banquet in honor of President Kim Il-song, President Li Xiannian pointed out: "To ease the tension and secure stability on the Korean Peninsula and to achieve independent peaceful reunification of their fatherland, the Workers Party of Korea and Korean Government have made unremitting efforts and put forth many important ideas and proposals. In particular, Comrade Kim Il-song's proposition for peaceful reunification of the northern and southern parts of Korea in the form of a confederation is very fair and reasonable. It points out a correct direction and feasible way for resolving the Korean problem. At the end of December of last year, Comrade Kim Il-song offered a new proposal for holding high-level political and military talks between North and South Korea. This shows once again the sincere desire of the Korean party and government to relax the tension on the peninsula and to achieve peaceful reunification of the fatherland. We firmly support these reasonable proposals put forth by our Korean comrades." At a meeting with President Kim Il-song, Zhao Ziyang also reiterated that China will steadfastly and firmly support the Korean comrades in their efforts to ease the tension on the Korean Peninsula and to realize peaceful reunification of their fatherland. At the meeting, President Kim Il-song invited Comrade Zhao Ziyang to visit Korea, which he accepted with pleasure.

During his visit, President Kim Il-song was given a warm welcome by the Chinese people and was immersed in a sea of friendship. The Chinese people gave grand and warm receptions to President Kim Il-song: A grand welcome at the Beijing railway station, a warm welcoming ceremony in front of the Great Hall of the People, and a grand state banquet at the Great Hall of the People. The scenes in which when meeting President Kim Il-song,

Chairman Deng Xiaoping twice gave him a warm hug and said a few cordial parting words, and President Kim Il-song led Deng Yingchao to the gate by holding her hands to see her off when she called on him, left an unforgettable impression on the people. During the visit, acting General Secretary Zhao Ziyang accompanied President Kim Il-song to visit the new Tianjin port.

With his current visit to China, President Kim Il-song once again brought the Chinese people the profound friendship of the Korean people and made important contributions in furthering the fraternal friendship and unity of the two parties, governments, and peoples of China and Korea.

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CSO: 4005/744

PROMOTION OF YOUNGER LEADERS, OFFICIALS CONTINUES

OW080802 Beijing XINHUA in English 0645 GMT 8 Jun 87

[Text] Beijing, 8 Jun (XINHUA)--China's goal of modernizing its industry, agriculture, science, technology, and national defense will require more younger, competent leaders and officials. The latest issue of OUTLOOK weekly discusses this issue in detail and explains how the choices should be made.

According to the article, "Selecting, educating and promoting more younger, competent individuals to leading posts has been a well-thought-out, long-term policy of the Chinese Communist Party Central Committee, and this policy will continue."

"Building up the country's reserve of qualified leaders and officials does not mean selecting and educating only a few people for key positions," the article said, "but the task is to choose and prepare thousands of young people for leading positions at all levels."

Statistics show, over the past few years, China has selected and trained a large number of leaders, including 1,000 for provincial-level positions, 20,000 for prefectural leadership and 140,000 as county-level officials.

"These newly-trained leaders and officials will ensure a smooth transition of power from the older generation to the younger at all levels," the article explained, "and this young, competent contingent will guarantee the success of the country's modernization program, and China's current policies."

"Potential leaders and officials should be young, professionally competent, ideologically sound and in good physical health, and their previous work experience will be taken into consideration," the article stressed, adding, for example, those who hope to be promoted to provincial-level positions should be between the ages of 40 and 45.

"Our principle is to encourage more young skilled people to apply for the jobs," the article said, "and to achieve this, selection and examination procedures should be strictly controlled."

"To build up the ranks of the country's leaders and officials," the article said, "more younger and competent people are needed at all levels."

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CSO: 4000/099

LIN ZONGTANG EXAMINES LATERAL ECONOMIC TIES

Beijing JINGJI RIBAO in Chinese 5 Jan 87 p 2

[Article by Lin Zongtang [2651 1350 2768], Vice Minister of the State Economic Commission: "Promote Associations While Maintaining Enterprises' Right to Self-Management"]

[Text] In 1986, lateral economic ties in China became even more widespread, diversified in form, broader in scope, and had more of an impact on the economy than ever before. This was primarily seen in 10 areas: Leaders at every level made lateral economic ties as a priority in reform. Lateral economic ties developed quickly and are playing an ever growing role in the national economy. A host of economic associations of all kinds have appeared. Regional associations have developed and became further established as an economic entity. Technical cooperation has become a major feature of lateral economic associations. Lateral funds circulation has developed. The integration of military and civilian enterprises as well as the first and third lines of production have gone through major developments. There have been new achievements in assistance directed toward old revolutionary bases, minority regions, border areas, and poverty-stricken regions. Lateral economic ties have promoted balanced development of the urban and rural economies. The transformation of governmental economic management organs and functions has been accelerated.

In 1987, we should still stress lateral economic ties as an important part of our efforts to stimulate the economy. The overall requirements for this year's work are as follows. As an organic constituent of the national economy, lateral economic associations should apply themselves to the central tasks set by the central authorities, continue to thoroughly implement the State Council "Regulations" promoting associations, do a great deal to stimulate enterprises, strive to improve economic results, alleviate deficits by increasing exports and therefore, foreign exchange earnings and by providing aid to agriculture. There are three principal elements in this task. 1) This year's work plan calls for "consolidation and development," along with "stimulation of enterprises"; we should strengthen the foundation that we have laid with our present achievements, expand into new areas, and make growth more intensive and broader. Lateral economic associations should serve the important task of stimulating enterprises and improving economic returns. 2) Understanding of lateral economic ties should still be gradually improved; we

should understand what is involved as new forms of lateral ties develop. 3) The formation of lateral economic ties should be closely centered on and serve the economic goals called for by the CPC Central Committee.

To further promote the development of lateral economic ties, departments involved should strive to accomplish the following:

I. Further Improve Ideological Understanding

Some comrades fear that allowing enterprises to link up will lead to loss of control over the enterprises, loss of personal power and privileges, and that they will be in charge of departments in name only. Such thinking hinders the development of lateral cooperation among enterprises. Conflicts arising in the change from the old system to the new have also created problems for lateral associations. We should fully recognize that the expansion of lateral economic ties is an inevitable tendency in China's economic development. The "large and complete" or "small and complete" isolated economic fort will inevitably collapse, regional isolation will inevitably be broken, and the management system of vertical separation will inevitably be replaced by the new management system. With commodity economic competition becoming increasingly fierce, only lateral cooperation will enable enterprises to strengthen their competitive ability and enable them to actively compete. At present, lateral ties have basically begun to form, but they still do not go far enough; now we should make them more far-reaching.

II. Continue To Maintain Enterprises' Right to Self-Management and Support Lateral Economic Associations Among Enterprises

We should promote associations on the basis of maintaining enterprises' right to self-management; we must never weaken the enterprises' right to self-management. Premier Zhao has sternly stated: responsible departments which do not allow their subordinate enterprises to form lateral associations are encroaching upon the enterprises' right to self-management. In the "30 Regulations," the State Council specifically regulates this. We must conscientiously and thoroughly implement these regulations. Strengthening the vitality of enterprises is the central link in reform of the economic system. Responsible economic departments at every level must truly let go of their power, allowing enterprises to become independent, self-managing economic entities. Only when enterprises have power can they become active and strong; only then can there be a vast future for lateral economic associations. At the same time we should help enterprises solve the actual problems which occur in lateral economic ties, problems such as distribution of profits, short-term loans, technology transfer, absorption of imported technology, etc. We should vigorously promote the lateral association of enterprises.

III. Correctly Handle Profit Distribution Relationships Among Lateral Associations

The fairness of profit distributions is crucial to whether lateral associations can exist, grow, and be consolidated. In the past few years, some associated enterprises have gotten off to a fast start and have continually grown. But some enterprises are having trouble getting going, and

whatever associations they form fall apart. In studying the causes, there are none in which economic interests do not play a role. Solving this problem requires both behaving in accord with economic laws as well as promoting the spirit of communist cooperation. Large and medium enterprises should especially show the right spirit, standing a bit more upright and looking more to the future. They should neither take advantage of others nor strive for profit, but merely seek mutual growth and prosperity. We should provide guidance to associations in correctly handling the relationship between immediate and long-term interests, the interests of the enterprise and the national interest, and receiving and granting profits. We should also continually adjust the profit-distribution relationships. At the same time, we should strengthen respect for the legal system and maintain all legal rights and interests of associations.

IV. Strengthen Leadership, Match the Needs of National Macroeconomic Growth

The development of lateral economic associations must try to combine microeconomic results with the social and macroeconomic results. The state should formulate industrial policy and plans for different industries and regions, as well as use economic levers and economic legislation, in order to lead enterprises into bringing their own interests in line with the macroeconomic needs. At present we should stress developing the energy and transportation industries and industries providing scarce raw materials, and stress the expanded production of export goods and those in great demand on the market; we should promote the association of processing industries with enterprises producing the raw materials, military industrial enterprises with civilian industrial enterprises, and the linking up of agricultural, industrial, commercial, and foreign trade enterprises. With such associations we should especially stress product quality, reducing consumption, product marketability, increased exports, and improved economic results. Feasibility studies should be conducted for large and medium associations, to avoid blind growth and duplicated projects.

V. Conscientiously and Thoroughly Implement the Relevant State Council Regulations on Strengthening Lateral Economic Associations

Any management methods, rules, and systems which harm enterprise associations should promptly be studied and reformed. Anything which benefits enterprise associations should promptly be collected and promoted. This will allow lateral economic associations to continue to become more far-reaching. Departments dealing in a number of areas should work together, carrying out reforms that will enable them to coordinate tax revenue, government finances, planning, supplies, statistics, etc. This will create good external circumstances for lateral economic associations. VI. Further Improve the Integration of Foreign Imports and Domestic Cooperation "Foreign imports and domestic cooperation" is a policy important for the thorough implementation of the plan for opening up to the outside and stimulating the domestic economy; it is also an important element in the development of lateral associations. Foreign imports and domestic cooperation spur each other on and complement each other. Importing from abroad will bring in advanced technology from overseas and domestic cooperation will spread the advanced technology to other enterprises, thereby rapidly raising the technical level of all of society and

bringing out even greater economic results. Domestic cooperation will also provide even more export goods, earning more foreign exchange for the state. In recent years, "foreign import and domestic cooperation" enterprises in Fujian have brought in \$147 million from overseas Chinese and foreign sources. Among the enterprises are 89 industrial associations. These enterprises have advanced technology, quite new equipment, quick access to international market information, and are relatively competitive. The Putian County Rubber Factory, for example, was originally a small collective factory on the verge of closing down. Together with the Great China Rubber Factory of Tianjin, the Engineering Plastics Factory of the Fujian-Hitachi Co, and two companies from Malaysia and Hong Kong, it set up the Fuxiang Plastics and Rubber Co, Ltd. They cooperate in producing more than 300 kinds of rubber shoes and high-quality sports shoes. The products are selling well in 19 provinces and municipalities, and have also entered the international market in the United States, Canada, the FRG, Denmark, and Southeast Asia. The daily output of shoes has risen from the previous 400 pairs to 20,000 pairs. The total investment was recovered in just 1 year, and \$600,000 in foreign exchange was earned for the state.

As reforms of the economic system become more far-reaching and as each department and locality gradually and thoroughly implements the series of reform measures put out by the State Council, the continuous and stable development of lateral economic ties will be further promoted. We can say with assurance that the momentous forward surge of lateral economic associations is an inevitable trend in China's economic development. It will certainly accelerate the pace of developing the four socialist modernizations.

12919
CSO:4006/328

ECONOMISTS OFFER DIFFERENT VIEWS ON 1986 PERFORMANCE

Beijing JINGJIXUE ZHOUBAO in Chinese 19 Apr 87 p 4

[Article by Xiao Qing [2556 7230]: "Economists Offer Different Views on the Economy"]

[Text] Li Jiange [2621 0494 7041], Chang Qing [1603 3237], Zhang Xuejun, [1728 1331 6511] and other comrades expressed their views on the economy at the third joint seminar on development and reform organized by the Beijing Society of Young Economists recently.

Comrade Zhang Xuejun of the Economics Institute of the Chinese Academy of Social Sciences believes that economic development in China in 1986 exhibited a new feature: the coexistence of credit expansion and insufficient investment demand. In that year, the ratio between the increase in bank lending and the increase in the gross value of industrial and agricultural output was 2.08:1, a sharp rise from 1.03:1 in 1985 and 1.52:1 in 1984. Many comrades therefore concluded that total demand has continued to soar. But there was no explosion in total demand in 1986. Instead, investment demand dropped markedly, as demonstrated by the considerable slowdown in investment and consumption, large inventories of manufactured products, and the corresponding excess of social savings. In his opinion, what accounts for the different conclusions is that a series of conceptual indicators have been misapplied. Total supply should mean society's existing production capacity, not the sum of goods already produced. Investment appetite is not the same as investment demand, and income is not the same as consumption. If we clarify our concepts, we will see that total demand in 1986, particularly the relative slack in investment, was nothing more than the delayed response to the tight-credit policy in force since 1985. At a time when the economic system is still unsound, squeezing total demand or trying to effect a balance in the system of material goods may upset the currency system. The more total demand is tightened, the more severe the disequilibrium in the currency system will be, with ever more serious consequences. The crux of the problem is rising wages and costs, and the breakdown in fund circulation. Superficially, there seemed to be an over-expansion of credit. In fact, we had a dire shortage of funds, not enough to satisfy the need in every social quarter. Accordingly efforts must be speeded up to overhaul the enterprise, investment, and financial systems. Right now we must first adjust the loan structure and lower the percentage of circulating-fund loans properly and raise the share of loans for investment

purposes correspondingly. New financing forms should also be introduced. Second, some of the cash earnings of enterprise employees may be directly converted into investments in the enterprises as "internal stocks."

Comrade Li Jiange of the Dynamics Office of the Development Research Center in the State Council suggests that the goal of macroeconomic control in 1986, namely, basically eliminating the various dislocations and unstable elements caused by an overheated economy, has created a fairly relaxed environment for major coordinated reform, but even greater efforts are needed. The excess of total demand over total supply has largely remained unchanged. Since the second quarter of 1986, with the money supply easing, total demand and total supply, which until then had shown signs of gradually falling into step with one another, began to draw apart even further. Budgetary deficits appeared and the international earnings situation worsened. One cannot be optimistic about the future of credit. He argues that macroeconomic control must be improved and the output growth rate must moderate appropriately because the strong sectors have expanded to an extent unsustainable by the weak sectors. We must continue to rein in total demand firmly and cannot afford to set new levels. The tendency toward holding down output value and pursuing fast growth must be checked. A critical moment has arrived in development and reform. Given the fact that we are hard pressed for funds, materials, and foreign exchange, and that the profit margin has been squeezed hard, major problems will arise if we continue to sacrifice profits and if everybody jumps on the bandwagon of ownership system reform at the same time. Thus we must create a relaxed economic environment, work out a clear overall reform strategy comprising a series of stages each with its goals, painstakingly put together a comprehensive coordinated reform scheme, and launch it without delay.

Comrade Chang Qing of the Price Office of the Development Research Center in the State Council said that conflicts between the dual systems and their own numerous shortcomings have led to a "syndrome" in the national economy. As he sees it, the economic situation must be analyzed from a broader historical perspective. A survey of the development of a commodity economy in many nations shows that such development in general can be divided into three stages: the stage of shortage, transition from a sellers' market to a buyers' market, and the stage when a developed buyers' market takes shape. After the per capita Gross National Product reaches a certain level, national economic growth will enter a stage characterized by regular and spontaneous changes in the economic structure. In 1986, prices soared and could not be brought down. Manufactured products accounted for a sharply rising share of funds. Inventories built up too rapidly and savings increased too fast. All of that points up the structural irrationality in China's economy. In fact, the economy is in a structurally rigid state. Whether we should ease or tighten demand is not to be determined by subjective wishes, but has more deep-seated economic reasons, namely that structural economic irrationality has forced the national economy to operate abnormally. At a deeper level, structural economic irrationality and rigidity are due to the existence of the dual system. Under the old system, elements of production could not circulate properly, there was a stampede to invest, the structure was rigid, and the government was forced to undertake an administrative adjustment once every few years. The new system has not been firmly established. The market has some

regulatory effects on increasing the money supply only. The frictions between the two systems have led to new problems such as consumption fever. It is not enough, therefore, merely to tighten or relax total demand, which has practical significance only when the structure has been rationalized, when elements of production can react sensitively to price signals, and when circulation is good.

Comrade Chang Qing emphasizes that it is hopeless to turn back. The only way out is coordinated reform. We should continue to forge ahead on three main reform fronts: draw up an industrial policy as soon as possible as the basis for macroeconomic control and as a substitute for the balancing function of the old planning system; reform the price, financial, tax, and circulation systems; create an environment where enterprises can compete fairly, and perfect the market system to accelerate the circulation of elements of production; and reform the enterprise system by introducing contracting, leasing, fund management responsibility system, and other changes. At present we should merge or restructure some enterprises to solve a number of urgent problems in the system and region, on the one hand, and broaden the practice of enterprise leasing enterprise and eliminate the rigidity of the economic structure, on the other. That way progress may be made in 1987. Once coordinated reform gets under way, the national economy will keep running normally on its own.

12581

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BEIJING EXPERTS DISCUSS PRICE REFORM

Shanghai SHIJIE JINGJI DAOBAO in Chinese 2 Mar 87 p 13

[Unattributed article: "Beijing Experts Review Price System Reform; Xue Muqiao [5641 2550 2890], Xu Yi [6079 3015], Ma Bin [7456 6333], and Zhang Zhuoyuan [1728 0587 0337] Attend Seminar and Make Statements"]

[Text] Recently in Beijing, the Chinese Price Research Association and the editors of JIAGE LILUN YU SHIJIAN [PRICE THEORY AND PRACTICE] jointly held a seminar on price reform. The seminar reviewed and evaluated the price reforms of the past few years. The famous economists Xue Muqiao, Xu Yi, Ma Bin, and Zhang Zhuoyuan also spoke at the meeting.

Some of the experts at the seminar believe that the price reforms of the past few years have basically been successful. Their reasons are that in these years the grain harvests have increased, nonstaple food supplies have grown, and the people's lives have been greatly improved. Although the price index has gone up considerably in the course of price reform, it has not exceeded 10 percent. When Yugoslavia was reforming prices, the price index went up 70 percent; we have basically kept prices under control in our reform.

Some other comrades believe that the price reforms conducted so far can be divided into two stages. The first stage was from 1979 till 1983, and the second from 1984 till 1986. The first stage of reform was successful, perfecting price relationships and playing a very positive role in raising the price of eight agricultural products and byproducts. This stage spurred the growth of production, adjusted the prices of cloth made from cotton and synthetic fibers, and lessened discrepancies between supply and demand. This stage was primarily a restructuring: the overall price level did not go up significantly, the price of cotton and synthetic fiber cloth both rose and fell, the price of watches and radios was adjusted downward, and the living standard of urban and rural people went up. The shortcomings were that the price increases for agricultural products were somewhat large, making the state's financial burden heavier. The price rises for the eight agricultural products and byproducts were closely followed by even greater increases in the prices of several cash crops, and the grain price again reached the very bottom. Before the price of cotton cloth was adjusted, there was a concentrated emphasis on sales, so that for a period of time after the price adjustment, sales of cotton cloth were affected.

There were fewer successes and more failures in the second stage of reform. The unsuccessful areas were: Price relationships were not perfected; in some departments, for example, the profit to investment ratio is becoming lower and lower, so that it is already much lower than the loan interest rate; even if all the profit is used to repay interest, it still is not enough. The "two-track system" for production material prices and the "inverse 30-70 percent" and "inverse 40-60 percent" relationship in the inverse proportioned prices for agricultural products and byproducts has brought chaos to state finances, credit, and accounting. Speculation is no longer an isolated incident, and accounts are a mess. Most people do not think that all of the blame for these problems should be laid on price reform. Because in recent years the national economy has exceeded its budget, inflation has become a major factor in the price rises. In addition, we also should not underestimate the effects of foreign trade and exchange rates. For example, the sharp rise in price of some cash crops was related to the high prices paid by foreign trade departments. Another example is the 20 percent rise in the exchange rate, which increased the costs and reduced the profits of many enterprises; some profitmaking enterprises went into the red and had no choice but to raise their products' prices. We should not fail to take these causes into consideration.

12919

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STATE GUIDANCE PRICING DISCUSSED

Nanchang JIAGE YUEKAN [PRICING MONTHLY] in Chinese No 12, 15 Dec 86 pp 12-14

[Article by Lin Bifang [2651 4310 5364] of the Department of Trade, Chinese People's University, Beijing: "Brief Discussion of State Guidance Pricing"]

[Text] State guidance pricing is a new form of pricing which has appeared during price system reforms of the past few years. State guidance pricing is directed toward those enterprises possessing the right to set and adjust the price of commodities. The state achieves macroeconomic control of the market price by stipulating both the principles for setting prices and the price levels, thus bringing price trends in line with the law of value, the law of supply and demand, and the needs of state policy. Relatively accurate price information is given to producers, consumers, and intermediaries. Responsibility for setting the actual price of commodities is shared among local governments, local responsible departments, and enterprises; setting the price should be done with flexibility, based on output and sales and within the range of state regulations.

State guidance pricing currently takes a variety of forms, depending on the special characteristics of each commodity and differences in output, supply, and marketing. These measures include stipulating for a fixed period the guidance price level, the floating price, the price range, and the maximum and minimum price; and stipulating the margin percentage between buying and selling price and between the wholesale and retail price.

State guidance pricing is a method of pricing which is between state mandated pricing and free pricing regulated by the market. It still falls into the category of planned pricing.

China's experience in price reform has proven that state guidance pricing meets the need for price strengthening through macroeconomic guidance following microeconomic stimulation. It is characterized by its quick and timely reflection of commodity value and market changes in supply and demand. Furthermore, movement in prices is kept within the planned range for price adjustments. State guidance pricing offers many advantages, which are mainly seen in the following areas.

1. By using state guidance pricing, the state can exercise macroeconomic control of market price levels. This helps maintain the relative stability of market prices. When demand outstrips supply of certain commodities and the price is deregulated, senseless price rises easily result if we rely entirely on regulation by the market. When the supply of commodities exceeds demand, it is also easy for large declines in the commodity price to occur. In order to avoid the blindness of market regulation, we must strengthen state guidance. Practicing state guidance pricing is one effective way to manage prices. Although the floating price, minimum price, and the stipulated periods for price levels and pricing principles affect only some commodities, a certain comparative price relationship exists in fact among all commodities. After the price of one commodity goes up, it sets off a wide-ranging chain reaction, and it is closely followed by the rise in prices of related commodities. If the state can act in time to hold down the price of the first commodity, the prices of the related commodities will be relatively stable. Action by the state in guiding prices can serve to stabilize market prices.

2. State guidance pricing helps to restructure the economy in accord with the needs of society and makes rational use of resources. This feature is especially important for agricultural and forestry products. Because the resources for some commodities are limited and the production cycle is long, the slightest loss of control can lead to long-term imbalances between market supply and demand. Practicing state guidance pricing can prevent major fluctuations in prices and helps to guide production.

3. State guidance pricing helps protect the interests of producers and consumers. If there is nothing but free pricing on some important commodities, prices will rise when demand exceeds supply. Although the intermediaries and producers benefit, consumer interests are harmed. With a limit to the peoples' purchasing power, there will also be limits to the circulation of commodities. When the opposite happens, and prices fall because supply exceeds demand, the intermediaries are hurt and producer enthusiasm is dampened. Although consumers benefit temporarily, if production does not grow, market demand will ultimately exceed supply, and this does not help the consumer. State guidance pricing prevents large price fluctuations, and consumers will not suffer economic loss caused by price changes. At the same time, state guidance pricing provides a steady income to producers, thus helping to increase their enthusiasm. Producers can vigorously expand commodity production with a sense of security.

4. State guidance pricing helps to limit speculative activity. Large changes in prices provide speculators with a ripe opportunity. State guidance pricing limits large price increases and declines, reduces the number of opportunities, and thus limits speculation. At the same time, state guidance pricing of commodities in short supply still allows a fair profit for commodity intermediaries. The only thing it limits is exorbitant profits.

5. State guidance pricing helps to vitalize enterprises. Although state guidance pricing stipulates a certain range, limit, and level of prices, it is still more flexible and random when compared with mandatory state prices. Within the limits fixed by the state, an enterprise can arrange its own business activities according to the growth of production and market supply

and demand. In response to market conditions, it can quickly adjust the actual prices of the goods it produces, and thus increase its ability to adapt and compete.

6. State guidance pricing helps reform the pricing system. For a long time, authority to manage prices has been excessively centralized because the state set prices over too broad a range of commodities. Prices usually could not promptly reflect changes in commodity value and market supply and demand. In addition, one-sided interpretation of the policy of stable prices made it difficult to adjust or change prices. This created disorder in the pricing system. But now, state guidance pricing can swiftly reflect market commodity output, supply, and sales by stipulating the range of price movement. It can provide information for the reform of the pricing system, help to adjust unreasonable commodity prices, and gradually change serious price distortions. This will tend to make the pricing system more fair.

We see from the above advantages that state guidance pricing is a method of managing prices which offers vitality and the potential for future growth. At present we should actively create the proper conditions for the further perfection of state guidance pricing.

First, value should be the basis for the study and determination of price levels, median prices, range of price changes, and other issues concerning state guided prices. Consideration should also be given to the effect on value of market supply and demand, state policy, the amount of money in circulation, and the international market. This will basically bring price in line with value. Thus, in determining the state guidance price, concerned departments should conduct further studies to analyze output, supply, and sales. For some commodities, the international market should also be analyzed. The state guidance price level can thus make sure that producers and intermediaries are compensated for their labor and expenses and receive a reasonable profit. Only in this way can state guidance pricing truly play a guiding role.

Second, state guidance prices should be set appropriately, so that they benefit all parties. If the minimum commodity price is set too high, consumer interests are harmed and the commodity will not reach its true value, leading to overstocking. But neither can the price be fixed too low: if so, there is no profit for the producer and intermediary. Nobody will produce or deal in this commodity; economic growth will suffer and the people's needs will not be met. The state guidance price should therefore be a reasonable price that will be able to respond to actual changes. It should be acceptable to producers, intermediaries, and consumers. It should also be able to guide production and business.

Furthermore, the state guidance price is not fixed in stone. In practice, different methods of guidance and different prices should be chosen, based on different products, different periods of time, and different conditions. The planned guidance of price for some products can be achieved by setting a base price and a range of fluctuation; with other commodities, the price level can be fixed for a certain period. In this way, as long as the intermediate enterprise maintains the state guidance price level, it can set purchase and

selling prices on its own, based on changes in market supply and demand. Price rises and declines are allowed. This will promote growth in production and better satisfy the needs of consumers.

Finally, there is a certain compulsory element to state guidance pricing, for producers and intermediaries must stick to the price levels and pricing principles stipulated by the state. However, a more important part of state guidance pricing is that it uses economic means to regulate market prices. The experience of many areas with guidance pricing has proven that the results are quite good when economic means are used to guide prices. For example, some areas have organized trade fairs and opened up distribution channels for purchases and sales. Guidance pricing has done quite well at enabling production and business to achieve normal development. But other areas have taken the opposite course and used nothing but compulsory administrative means to guide prices. This easily leads people to confuse state guidance pricing with state mandatory pricing. As a result guidance pricing could not achieve the intended effect. We must overcome this confusion.

State guidance pricing is a method of price management which is currently being developed and perfected. Like reform of China's price management system, there are certain prerequisites for its implementation. These include adjustment of the price system, perfection of the socialist market system, truly conferring on enterprises the status of relatively independent producers and businesses, maintenance of a relative balance between the market commodity supply and demand, etc. Only in this way can state guidance pricing make greater use of its characteristic strengths: the integration of planning and flexibility.

12919

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TOWNSHIP ENTERPRISE CONTRACT RESPONSIBILITY SYSTEM VIEWED

Beijing NONGYE JINGJI WENTI [PROBLEMS OF AGRICULTURAL ECONOMY] in Chinese No 12, 23 Dec 86 pp 25-27

[Article by Pu Changxing [3184 7022 5281] of the Department of Agricultural Engineering, Jiangyin County, Zhejiang: "Several Problems of the Township Enterprise Contract Responsibility System in Urgent Need of Resolution"]

[Text] I. The Question of the Principle Party to the Contract

Township enterprise contracts currently take a large variety of forms, but the great majority of them essentially treat the factory head (manager) or a few copartners as the contractor, that is, as the principle contracting party. The reasons for this are: 1) it enables the contractors to have both responsibility and power, which helps to stimulate their enthusiasm and bring out their abilities; 2) it gives contractors motivation which is good for the realization of targets.

Contracts of this kind give a few contractors a special position within the enterprise. In Wuxi City, there is a township which stipulates in contracts: "During the contract period, the contractor is fully responsible for the enterprise. He has the right to direct all economic activities of the enterprise and the right, within certain limits, to decide on raising or lowering the wages of employees, distributing earnings in excess of profits, and assigning personnel within the factory; this means that as regard to the entire factory, higher level economic organs, and the state, he is given full powers to deal with economic matters and bears total economic responsibility." In this way, the contractor becomes the dominating force in the enterprise. This has led to the three following problems.

1. The problem of the relationship between the majority of factory employees and the few contractors. People cannot help but ask, who really is the master of the enterprise? In this form of contract, the enterprise's master is the individual contractor, while the many enterprise employees are the "hired workers" of the contractor. Is this kind of human relationship within an enterprise really in accord with the demands of socialist enterprises?

2. Can individual contractors bear complete economic responsibility for the enterprise? The property, output value, and profit of a township enterprise

can be as little as in the tens of thousand yuan, or as much as millions or tens of million, even hundreds of million yuan. Can individual peasants take the economic responsibility for such an enterprise? When used here, "bearing economic responsibility" is nothing but talk, for it seems that the key element in the contract is not responsibility but the power and economic benefits given to the individual contractor. Is this practice essentially in accord with what a contract should be?

3. The problem of handling economic profits within the enterprise. Where such contracts are in effect, the results of the enterprise's business are linked only to the contractor; the many employees can only "stand in awe of the mighty sea," as if they had done nothing. In order to stimulate the initiative of contractors, some places have given a host of privileges and awards to secretaries and factory managers. In southern Jiangsu alone there are probably 10 different awards: for example, the professional award, the speed award, the doubling of production output award, the award for raising the standard of living above the average, the basic task award, the good start award, awards for achieving different percentages of quotas, the military order certificate, the increased profit award, and so on. In this way, the contractors inside the enterprise enjoy an income vastly exceeding the compensation that employees receive for their work. In certain places, there are actually contractors whose annual income is more than 10,000 yuan, or even tens of thousand, up to over 100,000 yuan. This inevitably leads to some serious questions. Is it really possible that the business results of a contracting enterprise are due to the work of certain contractors? Is it really true that the value created by the labor of certain contractors is worth so many times more than that of ordinary workers? The answer is negative.

This form of contract quite clearly carries the seeds of its own destruction, and so it should not be adopted. We will have to delve into the question of the principle party to the township enterprise contract, which is actually the question of just who should be the contractor. The only correct answer to this question is that the contractor should be the entire work force of the enterprise. They are the main party to the contract; the factory head (manager), democratically elected by the employees, is the representative of the contractor, the main party to the contract. This makes it easier to overcome the three problems described above, and puts the enterprise contract on the correct path. Implementation of the contract system, in which the enterprise work force collectively is the contractor and is represented by the factory head (manager), requires correct handling of the personnel relationships within the enterprise, in particular the relationship between the factory head (manager) and the employees.

The township enterprise contract system is a feasible and effective way of enlarging the rights of an enterprise to self-management. The question is, to whom these enlarged rights of enterprise self-management should belong? The answer should be that the rights belong to the enterprise and not to individuals. The work force is the main party to the contract in the enterprise, for the employees are the masters of the enterprise. Therefore, fundamentally speaking, these rights should belong to the entire work force of the contracting enterprise and not to individual leaders. "Enlarged rights"

are a means to an end, not the end itself. In the contract system, the enlarged rights provide the contractor with the conditions needed to complete contract obligations. It is thus quite obvious that the enlarged rights should belong to the contractor, namely, the entire work force.

The enterprise work force is the principle party to the contract and the master of the enterprise. In this case, where do the factory head and manager fit in? They should be "public servants," not rulers lording over their workers. The contracting enterprise should thus establish a sound system for worker representative councils; decisions on all major questions affecting the enterprise should go through the worker representative council. The factory head and manager should be democratically elected by the worker representative council; they should work under the leadership of the council and accept its supervision. In this regard we must strongly stress that this is democratic management, not worker "participatory management" or "attracting workers to participate in management;" neither does it mean turning the worker representative council into a "consultative body." The worker representative council should be a body that actually exercises the powers given it.

II. The Question of Targets and Length of Appointment in the Factory Head Responsibility System

At present contract targets for township enterprises are usually set annually. The contract representative--the factory head (manager)--is usually appointed or hired for a relatively short term, with the power to appoint or dismiss him in the hands of higher authorities. Because the contract responsibility system only looks at short-term enterprise profits to judge business results, and uses these short-term profits as the basis for calculating compensation for the contractor, the factory head and enterprise are compelled to seek profits for that year. This forces the enterprise to only focus on immediate, short-term profits, and to ignore the long-term development of the enterprise. This "enterprise myopia" takes two forms. One form takes over the factory but does not keep it in good condition; only short-term interest are considered while long-term interests are ignored; machinery and equipment are not maintained and well-used, machine use exceeds its capacity, equipment is thrown together, and production is predatory. These problems are quite conspicuous, so most people are aware of them. Another form of "myopia," caused by the short duration of the contracts, is the lack of economic incentives encouraging the enterprise to consider long-term investments. The result is that no one shows any interest in the strategic issues affecting the enterprise's long-term survival and growth: training and intellectual development of personnel, bringing out new products, technical development, renovation and replacement of equipment, opening long-term markets, etc. With such a contract system, the attainment of superficial contract goals and awards to the contractor of large bonuses are signs that the enterprise faces a very precarious future. This problem is a hidden one and usually goes undetected, but it comes much closer to the heart of the matter.

Dealing with these defects requires the establishment of a factory head responsibility system with fixed terms and goals. The time span of this responsibility system should tend to be long, from 3 to 5 years. This system has two aspects. First, the factory head represents the enterprise

employees in signing the contract with higher responsible departments. The establishment of a system in which the factory head answers to higher responsible departments during the set period reveals the responsibility of the contractor toward the enterprise ownership system. Second, the factory head signs a contract with the worker representative assembly, establishing the period of time for which the factory head is accountable to the enterprise employees. This reveals the responsibility of the contractor's representative toward the contractor.

Under the system where the factory head is accountable to the higher responsible departments for a fixed period of time, goals in the following areas should be clearly stipulated for the period of appointment: technical and economic growth of production in the enterprise, including profits, rate of increase in profits, total output value, output of principal products, quality, costs, earmarked funds, and turnover of funds; contributions to township and village governments; technical transformation of the enterprise, such as replacing and renovating equipment, expanding the scale of production, and adopting new technology and new processes; development of new products by the enterprise, such as the direction, quantity, and time-frame for product development; and work force size and labor productivity.

Under the system where the factory head is responsible to enterprise workers for a fixed period of time, goals in the following areas should be clearly stipulated for the period of appointment: development of projects benefiting the work force as a whole, such as worker safety and the building and management of worker apartments, canteens, day-care centers, kindergartens, and entertainment centers; increases in worker income; expansion of enterprise reproduction and growth in reserve funds; worker technical training, including the quantity and quality of technicians and technical workers, the educational and technical level of workers, investment in education, and building of cultural and educational facilities; and improvement of working conditions in the enterprise, reduction in intensity of the work, and beautification of the environment.

The goals during the factory head's appointed term should be linked to the medium- and long-term plans of the enterprise. The factory head is elected by the worker representative council and approved and appointed by higher responsible departments. Before taking the position, he should sign separate formal contracts with the responsible department handling enterprises on behalf of the township and village governments and with the worker representative council, representing the enterprise's workers. The contracts should outline his responsibilities and goals during the period of appointment. On this basis, the certificate detailing responsibilities and letter of appointment should be issued. This shows the serious nature and the legal effectiveness of the responsibility system, which sets the term and goals for the factory head.

We must be sure to evaluate properly the factory head's progress toward the goals during his term. After the factory head responsibility contract has been signed, an evaluation team should be set up and a file on the factory head's term of office should be created, to include monthly inspections and annual assessments. At the end of the year, based on evaluation of the actual

results, the evaluation team should announce their grading of the factory head's performance so that the workers may assess it. According to the progress in reaching the goals, reasonable bonuses or fines should be assigned.

III. The Question of Enterprise Bankruptcy

At present, another rather pressing problem in the implementation of the township enterprise contract responsibility system is that some enterprises are losing money, overstocking goods which ties up their money, all to the point that they are even unable to pay their workers. But they feel no qualms about pointing to various factors beyond their control and asking for special treatment. The responsible township departments have no choice but to come up with some way to use the profit from other township enterprises to "raise" and "maintain" these enterprises. Such enterprises have become a burden on responsible departments at every level, seriously affecting the economic results and growth of all township enterprises. Is it better to "maintain" these enterprises, or should we let them "go broke." This is a real-life problem.

If we choose to "maintain" them, this forces us to use a considerable portion of the limited funds and materials available for the development of township enterprises to maintain the existence of unprofitable enterprises. There is a very poor yield on the input of these funds and materials, and in some cases there is no yield whatsoever; the inputs go into a "bottomless pit." Providing inputs to such enterprises does not help township enterprises as a whole achieve optimum results with the limited financial and material resources available, but rather just ties them down and hinders growth.

In a commodity economy, the law of value dictates that competitors in commodity production will inevitably make or lose money, be winners or losers. By its very nature, competition means the superior wins and the inferior is weeded out; it protects progress and eliminates backwardness, and thus helps the growth of production in society. But "maintaining" enterprises, by protecting backwardness, is the exact opposite of this. This practice runs counter to the commodity economy and the law of value.

For this reason, the bankruptcy law should be applied to enterprises which have run at a deficit for a long time. This will help to tightly bind the fate of the enterprise's entire work force with that of the enterprise. The workers will thus be concerned about the enterprise's stability and success, for they will have personal interests at stake. If the enterprise does not succeed, they will have to bear the serious economic responsibilities resulting from the enterprise's losses and bankruptcy.

Of course, we do not intend enterprise bankruptcy to be an end in itself, but rather a means; the goal is to prevent bankruptcy, to reduce the incidence of bankruptcy as much as possible. We should therefore help those enterprises facing bankruptcy to fight a short-term "last-ditch battle," doing all we can to enable them to shake off their difficulties as soon as possible, to move away from the edge of bankruptcy and resume the path of healthy growth. Nevertheless, there will always be some enterprises which will ultimately go

bankrupt, and there is nothing wrong with this. On the contrary: first, it can allow township enterprises to get rid of "excess baggage"; second, it can serve as an example to other township enterprises, spurring them to improve their competitive ability as soon as possible.

We should find those responsible when enterprises close down and go bankrupt. When leadership mistakes are the cause, economic and legal responsibility should be pinned on the leaders. When the cause is senseless orders and unwarranted interference from higher level leaders, those interfering should bear economic and administrative responsibility. After an enterprise has closed down and gone bankrupt, the status of debtors and creditors should be straightened out and fixed assets should be inventoried. These fixed assets can generally be sold off to repay debts. From the day the enterprise closed down, that is, from the day the staff of the closed, bankrupt enterprises lost their jobs, the workers may take other employment or engage in work on their own. Where conditions permit, necessary welfare payments can be issued to enterprise employees before they take work elsewhere. These "conditions" are an "enterprise bankruptcy welfare fund" containing a certain amount of money. Each month the enterprise would pay to the insurance company a certain percentage of the payroll, which would go into the enterprise bankruptcy welfare fund. If the enterprise went bankrupt, the insurance company would make welfare payments according to regulations.

12919

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OFFICIAL SAYS TOURISM TO UNDERGO MAJOR REFORM

OW091420 Beijing XINHUA in English 1401 GMT 9 Jun 87

[Text] Beijing, 9 Jun (XINHUA)--China will maintain its current charges for tourism services next year by reforming management and raising work efficiency, an official from China's National Tourism Administration said here today.

The National Tourism Administration will put forward a list of reform measures in October, Zhang Xinsheng, deputy director general of the administration, told a visiting group from the China Travel Organization Ltd. of Hong Kong.

The detailed measures are designed to promote competition, and cooperation as well, between various tourism services. The National Tourism Administration will work out a standard to test all its staff members.

"All unqualified guides will be dismissed," Zhang told the guests.

In line with the norms set by the state, the present 936 tourist hotels in the country, with a total of 300,000 beds, will be divided into different classes, he said, adding that hotels can also form administrative groups among themselves.

On the developments for this year, the official said that the country will concentrate its efforts on the construction of major tourist centers and routes, and promote the service for individual tourists. Also to get emphasis will be tourism based on local characteristics, such as visiting villages and working and eating together with local peasants.

The 22-member Hong Kong delegation, which arrived here yesterday, will also discuss tourism management systems and prices with relevant departments during their 3-day stay in Beijing.

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CSO: 4020/207

LOANS FOR FOREIGN-FUNDED ENTERPRISES

OW080754 Beijing XINHUA in English 0555 GMT 8 Jun 87

[Text] Beijing (CEI)--Officials of the Bank of China have answered questions as to how foreign-funded enterprises apply for loans from the Chinese bank.

1. What is required of foreign-funded enterprises in applying for a loan to the Bank of China: The enterprises, whether they are Sino-foreign joint ventures or co-management businesses or enterprises with sole foreign investment, are required to have operation licenses issued by the Chinese administration of industry and commerce and have opened accounts with Chinese banks; they must pay their registered capital on schedule and have it examined according to law; their board of directors must make decisions on borrowing loans and produce relevant documents; enterprises must have the ability to repay the loans, and provide reliable guarantees for repaying both the capital and interest; and their investment in fixed projects are subject to the approval of Chinese planning departments.
2. The types of loans extended by the Bank of China to foreign-funded enterprises: The first is a loan for fixed assets; the second is a loan for working capital; the third is a cash mortgage loan; and the fourth is the reserve loan.
3. Loans will be extended in Chinese currency (RMB) and foreign currencies, including the U.S. dollar, pound sterling, Japanese yen, Hong Kong dollar, and Federal German mark, as well as other convertible currencies as agreed upon by the Bank of China.
4. The term of the loans: The term of the loan for fixed assets usually does not exceed 7 years; and with the approval of the Bank of China, the term can be extended for some special projects, but will expire 1 year ahead of an enterprise's operation term as set in its license. The term of the loan for working capital does not exceed 12 months.
5. The calculation of interest: The interest rates on RMB loans are the same as those set by the People's Bank of China on loans to state-run enterprises. The interest rates on foreign currency loans are set by the Bank of China and may also be set by the borrower and lender through consultations in line with rates on the international money market.

6. The procedure for procurement of loans: Enterprises must submit applications for loans, and provide, depending on the type of loans, relevant certificates and data. When the Bank of China considers it necessary to have guarantors, enterprises must provide the guarantors that are agreeable to the bank.

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CSO: 4020/207

STATE IMPROVES SUPPLIES FOR JOINT VENTURES

OW080812 Beijing XINHUA in English 0651 GMT 8 Jun 87

[Text] Beijing, 8 Jun (XINHUA)--China's materials departments at different levels are making every effort to facilitate the supply of raw materials for enterprises with foreign investment, the business weekly of "CHINA DAILY" reported today.

One of the major measures is to set up special supply companies for joint ventures in cities and provinces where more enterprises with foreign investment are located.

Since the central authorities issued 22 provisions to encourage foreign investment in April last year, 15 such companies have been set up in Beijing, Shanghai, Guangdong, Tianjin, and other cities.

More such companies would be established as the investment flow to China rose, said the weekly by quoting Zhu Wenqi, a senior official of the State Bureau of Supplies.

"The effort aims to solve problems that joint ventures with foreign investment meet in materials supply," he said, adding: "Such companies can act as their agents to import materials and equipment at international prices, which joint ventures cannot get on the domestic market."

The supply companies for foreign investment enterprises mainly get their materials through three channels: state allocation at state-set price, local authorities at reference price, and on the market at market price, usually the most expensive of the three.

"So the prices for materials depend on from what channel they come and enterprises with foreign investment enjoy the same treatment in pricing as our state-owned enterprises," said Gu Yide, general manager of the Beijing Material and Equipment Supply Co. for Foreign Investment Enterprises.

The State Bureau of Supplies now control 20 varieties of key materials such as steel, copper, coal, timber, cement, and lead by setting quotas for key projects and localities, Zhu said, adding that another 300 kinds of materials are under the control of ministries under the State Council.

He said the state is to gradually decentralize control to local authorities and finally change the original system of planned allocation of material supplies to obtaining supplies from the market.

Now the percentage of coal controlled by the state has dropped from 59 percent of the total in 1980 to 42 percent last year, the percentage of timber from 80 percent to 30 percent, while the total volume of these products was rising rapidly.

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CSO: 4020/207

COMPANIES TO ENSURE SUPPLIES TO JOINT VENTURES

HK081136 Beijing CHINA DAILY (BUSINESS WEEKLY supplement) in English 8 Jun 87
p 1

[Article by staff reporter Wang Yanping]

[Text] Following the state's directions to encourage foreign investment, China's material departments at different levels are making every effort to facilitate the supply of raw materials for enterprises with foreign investment.

One of the major measures is to set up special supply companies for joint ventures in cities and provinces where more enterprises with foreign investment are located.

So far 15 such companies in Beijing, Shanghai, Guangdong, Tianjin, and other cities have been set up since last year when the central authorities issued the 22 points to encourage foreign investment.

Zhu Wenqi, a senior official with the State Bureau of Supplies told BUSINESS WEEKLY that more such companies would be established as the investment flow to China rose.

"The effort aims to solve problems that joint ventures with foreign investment meet in material supply and provide another way for them to get in short supply," said Zhu. [sentence as published] "Such companies can act as their agents to import materials and equipment at international prices, which joint ventures cannot get on the domestic market."

According to Zhu the State Bureau of Supplies now control the varieties of key materials such as steel, copper, coal, timber, cement, and lead by setting quotas for key projects and localities. Another 300 kinds of materials are under the control of different ministries under the State Council.

The state is to gradually decentralize control to local authorities and finally change the original system of planned allocation of material supplies to obtaining supplies from the market, according to the official.

Zhu said the trend was already apparent in the proportion of materials controlled by the state. For example, the percentage of coal controlled by the state has dropped from 59 percent of the total in 1980 to 42 percent last year, the percentage of timber from 80 percent to 30 percent, while the total volume of these products was rising rapidly.

The supply companies for foreign investment enterprises mainly get their materials through three channels: State allocation at state-set price, local authorities at reference price, and on the market at market price, usually the most expensive of the three. "So the prices for materials depend on from what channels they come and enterprises with foreign investment enjoy the same treatment in pricing as our state-owned enterprises," said Gu Yide, general manager of the Beijing Material and Equipment Supply Co. for Foreign Investment Enterprises, set up officially last month located in the Xuanwu District.

Since its opening many joint ventures in Beijing have showed interest, approaching the company to discuss potential business, said Gu Yide.

The first deal reached by the new company was to supply 20 tons of urgently-needed high quality plastic to a Beijing-based joint venture between a Netherlands company and Beijing Radio Factory.

The general manager said the company focused its business in three areas: supplying materials, providing consultancy services, and acting as purchase agent.

The goods handled by Gu's company fall into two categories: one is domestic-made goods including cars, steel, copper, aluminum, lead, timber, mechanical and electric equipment, chemicals and varieties of raw materials, parts and fittings, and the other includes goods imported from abroad.

Now the company is investigating the circumstances of Beijing-based joint ventures in order to guarantee their material supplies. After the investigation the company will help joint ventures select suppliers, he said.

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CSO: 4020/207

FOREIGN MANAGERS DISCUSS JOINT VENTURES

OW080918 Beijing XINHUA in English 0607 GMT 8 Jun 87

[Text] Beijing (CEI)--A recent issue of the "ECONOMIC DAILY" carried suggestions from foreign managers of joint ventures in China as to how to improve the management of these enterprises.

Their criticisms include lack of initiative on the part of local managers, too many meetings, and too much red tape.

Although the cost of labor is low in China, productivity is not high. They suggested that some technical procedures should be streamlined and the workforce educated in modern labor practices.

Enterprises which import technology must have personnel who can read technical documents in foreign languages, and understand the operation of computers as well as capitalist financial systems, they said.

They also urged that the supply of materials and electricity should be ensured and transportation and communications improved.

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CSO: 4020/207

MORE FOREIGN TV PROGRAMS TO BE AIRED

HK080047 Beijing CHINA DAILY in English 8 Jun 87 p 5

[Article by staff reporter Wen Jia]

[Text] China plans to show more foreign films and television programmes and to export more Chinese-made films and programmes abroad.

This is part of a new drive to boost China's television industry and to make use of more advanced technology.

Ai Zhisheng, minister of radio, film, and television, told CHINA DAILY at the weekend that China will continue its open policy in developing the industry and will seek closer co-operation with overseas companies.

About 700 million Chinese can now watch television. There are more than 80 million television sets on the mainland, compared with only 9 million in 1980. The number of television sets is increasing by 10 million a year.

In 1986, the country imported more than 100 television dramas from the United States, Japan, Australia, and from some European and Third World countries. More are expected this year, Ai said.

He added that China imported foreign films and television programmes according to their ideological and artistic merits. China is also making efforts to help foreigners understand the Chinese way of life, he said.

New regulations are also being drafted to control closed circuit television, television transmitters, and video tapes.

"We're opposed to anything that may harm the construction of our socialist civilization," Ai said.

Investigation shows that among China's television audiences, young people and intellectuals hope to see more good foreign films while rural people prefer Chinese-made programmes.

In the coming months, Chinese and West German actors and actresses will perform Chinese and foreign works together in Beijing for the first time.

This is the result of co-operation between China's Central Television Station and a West German station.

Ai said the present Chinese television programmes need to be improved to meet the audience's demand. Programme makers should learn from some of their foreign colleagues, he added.

Investment in television undertaking in the past years has been rising at a higher rate than the speed of the nation's economy. Ai predicted that this would continue.

However, television stations, whose number has increased from about 60 in the early 1980's to more than 280 at present, are still short of funds and trained personnel.

Development of the television industry in China mostly relies on the government for its funds.

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CSO: 4020/207

TIANJIN APPROVED TO ATTRACT MORE FOREIGN FUNDS

OW081404 Beijing XINHUA in English 1343 GMT 8 Jun 87

[Text] Tianjin, 8 Jun (XINHUA)--China's State Council has given Tianjin Municipality the go-ahead to utilize 1 billion U.S. dollars in foreign investment by the end of this decade to promote the city's infrastructures and export-oriented industries, according to a press conference here today.

The municipal government has been allowed to adopt more flexible means to raise foreign exchange and set up foreign-funded projects, said Zhang Zhaoruo, chairman of Tianjin's Commission of Foreign Economic Relations and Trade. Now the city can approve projects with a total investment of less than 200 million yuan, he said.

Tianjin will raise foreign exchange in the forms of issuing bonds on world monetary markets, and borrowing from international banks and other international financial departments with the help of the country's central bank. The city will also carry out compensation trade and leasing business to raise funds for smaller projects, he said.

The city government has listed a series of key projects, expected to be able to promote export-oriented industries in order to enhance the city's capacity to pay off debts.

The new projects will concentrate on the manufacturing and processing of light industrial goods, the official said.

They cover the production of garments, textiles, shoes, carpets, foodstuffs, stationery, sports facilities, cooking utensils, toys, ceramics, glassware, medical apparatus, paper, metals, welding rods, auto-parts, electronic components, bicycles, watches, cameras, household electrical appliance, elevators, and computers.

Some investment will be used to promote basic industries, the raw materials industry in particular, to produce more goods to substitute for imports. They include copper smelting, rolling of steel sheets, steel wire, natural gas, high-grade dyestuffs, and the establishment of casting and dies making centers.

The remaining investment will be used in the building of urban infrastructure, which includes the expansion of a power plant with an installed capacity of 600,000 kW, the building of a coal gas factory with a daily capacity of 1 million cubic meters, and drinking water and sewage treatment plants.

To facilitate the setting up of foreign-invested projects, the city has already established a foreign investment service center.

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CSO: 4020/207

TIANJIN MAYOR ADDRESSES PRESS CONFERENCE ON OPENING

OW081719 Beijing XINHUA in English 1516 GMT 8 Jun 87

[Text] Tianjin, 8 Jun (XINHUA)--Adherence to the four cardinal principles and opposition to bourgeois liberalization will not affect the implementation of China's policy of opening to the outside world, Tianjin Mayor Li Ruihuan said here today.

At a press conference, Li said, "Only by adhering to the principles (the socialist road, the people's democratic dictatorship, the leading role of the Communist Party, and Marxism-Leninism and Mao Zedong Thought), shall we be able to provide stable investment conditions."

He continued, "Opening to other parts of the world is a general trend in the world today and nobody can reverse it."

He admitted that in a period after the struggle against bourgeois liberalism was launched earlier this year, some foreign firms were worried about investing in Tianjin, and some Tianjin officials in charge of business discussions with them were also somewhat hesitant.

"But this did not last long. Now everything is carrying on as usual and we're quickening the pace of opening to other parts of the world," he told the Chinese and foreign reporters in his audience.

The number of contracts Tianjin signed with foreign firms in the first 5 months of this year was up 102 percent from the same period in 1986. Since 1979, the city has approved 199 Sino-foreign joint ventures and co-management businesses, 100 of which are now operational.

Asked what method Tianjin is using to attract foreign funds, Li said that the municipal authorities make sure that foreign investors make profits.

"To make Sino-foreign joint ventures successful, we do everything within our power to help foreign firms study their investment direction and solve problems for them," he stated.

He said that the municipal authorities plan to extend the term of Sino-foreign joint hotel ventures to 18 years so that foreign partners will earn profits as a result of slower depreciation of fixed assets.

Tianjin will be empowered by the State Council to introduce 1 billion U.S. dollars in foreign funds during the 1986-90 period, he disclosed. It will also receive from the state 1.4 billion U.S. dollars in hard currency and 7 billion yuan (about 1.9 billion U.S. dollars) for technological upgrading projects.

He advised foreign investors to start export-oriented enterprises in Tianjin.

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CSO: 4020/207

NINGBO PORT CITY TO BOOST EXPORT-ORIENTED ECONOMY

OW050836 Beijing XINHUA in English 0624 GMT 5 Jun 87

[Text] Hangzhou, 5 Jun (XINHUA)--The port city of Ningbo, Zhejiang Province, plans to introduce more foreign funds and import more technology to boost its export-oriented economy, according to Deputy Mayor Chen Zheliang.

The city has attracted 52.21 million U.S. dollars in foreign funds since it received greater authority over foreign investment and trade in 1984, Chen told XINHUA.

Sixteen Sino-foreign joint ventures and cooperative businesses are operational in Ningbo, Chen said, adding that the city has signed contracts to set up 33 foreign-funded enterprises.

The deputy mayor also reviewed Ningbo's progress in developing the city's infrastructure. Ningbo has opened air routes to the Zhejiang Provincial capital of Hangzhou and the metropolises of Beijing and Shanghai. The Yueshe International Airport is also being built as well as a canal between Hangzhou and Ningbo.

Direct dialing telephone service is now available between Ningbo and Hong Kong and cities in Britain, France, Italy, Japan, and the United States. Last year the city imported computer-controlled telephone switchboards with a total capacity of 14,000 lines.

The Ningbo port, which consists of the old Ningbo, Zhenhai, and Beilun docks, has 40 berths, the largest of which is capable of accommodating vessels of 100,000 dead weight tons. The port now handles 36.83 million tons of cargo a year, ranking it seventh in China.

Ningbo's Xiaogang economic development zone, designed for foreign investors, has built workshops and warehouses with a floor space of 48,000 square meters in the past 2 years. Four Sino-foreign joint ventures are operational there and another four will go into operation later this year.

Meanwhile, the city has imported 150 pieces of technology to upgrade factories, which have added 240 million yuan in output value, and 32 million yuan in profits and taxes a year.

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CSO: 4020/207

CHEN YAOBANG SAYS AUTUMN CROPS GROWING WELL

OW101320 Beijing XINHUA in English 1304 GMT 10 Jun 87

[Text] Beijing, 10 Jun (XINHUA)--Autumn crops, including grain, cotton, and cash crops, are growing well in most rural areas, despite abnormal weather in spring, according to a press conference here today.

Chen Yaobang, vice-minister of agriculture, animal husbandry, and fisheries, told the conference that the total grain cultivation area has been widened by a big margin compared with that of last year.

In south China the total area of hybrid rice fields has been expanded to 10 million hectares this year--1.06 million hectares more than last year. The hybrid maize fields have also been enlarged to 15.33 million hectares.

The multi-cropping areas in the eight southern provinces, including Sichuan, Hubei, and Hunan were more than 1.3 million hectares more than last year and the acreage for popularizing high yield autumn grain in six provinces, including Jiangsu, Shandong, and Henan, has doubled that of last year. Many provinces have conducted comprehensive treatment of low-yield fields.

This year, China is striving to promote the total grain output to 405 million tons--the level of 1984--and the cotton output to 4.25 million tons, the official said.

The attaining of this target largely depends on the production of autumn grain, the minister said.

He drew attention to the abnormal weather conditions in the country. There might be more floods this year in the major grain-producing areas on the middle and lower reaches of the Yangtze River, the Yellow, Huaihe, and Haihe River basins in north China and in the Songhua-Liaohe River plain area in northeast China. The serious drought in northwest and southwest China might continue. He called on all localities to do the field management well and be well prepared against possible natural disasters, trying everything possible to mitigate the possible losses.

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CSO: 4020/208

ECOLOGICALLY BALANCED AGRICULTURE URGED

OWO71256 Beijing XINHUA in English 1222 GMT 7 Jun 87

[Text] Hefei, 7 June (XINHUA)--Seeking an ecologically balanced agriculture should be the focus of China's agricultural modernization program, said scientists during a recent meeting on ecoagriculture.

This will bring about a new revolution in China's agricultural production and should therefore be regarded as a matter of strategic importance, the scientists said.

They noted that the development of ecologically balanced agriculture will bring about efficient farm production and hence more income to peasants. It will also help purify and beautify the environment, improve the production and living conditions and build a new socialist countryside.

The more than 100 scientists put forward the following proposals:

--To set up a national organization to provide unified leadership over the efforts and coordinate the steps in various parts of the country;

--To formulate a law to protect the ecological environment of agriculture against pollution from urban areas;

--To set up a complete education and technology popularization system including the establishment of a research institute and adding related courses to the curricula of colleges and universities;

--To carry out experiments in building ecoagriculture at different levels and in different forms;

--To raise funds from a multiple channel for the ecological agriculture drive and encourage peasants to join hands in running farm and sideline produce processing enterprises; and

--To coordinate the development pace of industry and agriculture to ease the shortage of energy and raw materials.

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CSO: 4020/206

STATE PLANNING COMMISSION ON AGRICULTURAL WORK

OW061605 Beijing XINHUA Domestic Service in Chinese 0805 GMT 2 Jun 87

[By reporter Zhou Yichang]

[Excerpts] Wuhan, 2 June (XINHUA)--The State Planning Commission held a national discussion meeting on agricultural planning work from 25 to 30 May in Xianning County, Hubei, to discuss measures on how to steadily develop agriculture.

After analyzing the current situation in rural areas, comrades attending the discussion meeting held that the 3d Plenary Session of the 11th CPC Central Committee has given great vitality to China's agriculture and rural economy. The question of providing people with warm clothes and sufficient food has been basically solved. The situation in which agriculture has helped back China's national economy has begun to change. The comrades pointed out: In order to maintain a steady rate of growth in developing China's agriculture and rural economy, we are now faced with two problems. First, we lack the reserve power in further developing agriculture, and we have not completely rationalized the prices of farm products. In addition, the total area of farmland is on the decline, while land fertility remains low. Our investments in agriculture are insufficient. Also channels for circulation of farm products are often clogged. All this directly affects and hinders the steady development of agriculture. Second, as far as our national economy is concerned, we must increase the quantity and improve the quality of farm products in order to help the people throughout the country to become comparatively well off. From this, we must realize the arduous nature of our tasks in maintaining steady growth in agriculture.

In order to ensure steady growth in developing China's agriculture and rural economy over a protracted period of time, the meeting held that it was quite necessary to largely increase investments in agriculture within the state budget in addition to the "Seventh 5-Year Plan." The 1990's will be an important period for advancing China's agriculture to a new stage. The proportion of agricultural investments should be gradually increased on the basis of those of the 1980's.

After summing up their experiences in developing China's agriculture and rural economy over the past 30 years since liberation, the cadres of the planning commissions at all levels attending the discussion meeting also exchanged views

on how to readjust product mix in agriculture; exploit and utilize agricultural resources such as farmland, pastureland and water resources; increase and use well funds for agricultural production and construction; popularize agricultural science and technology; unclog channels for the circulation of farm products; and readjust the prices for farm products.

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CSO: 4006/747

PRODUCTION BASES BOOST FARM OUTPUT, EXPORTS

OW090540 Beijing XINHUA in English 0530 GMT 9 Jun 87

[Text] Beijing, 9 Jun (XINHUA)--The organization of several agricultural production bases last year has resulted in more of China's farm products being exported, today's "GUANGMING DAILY" reported.

Products now available on the international market include high-quality rice, mung beans, oranges, lychee, and peanuts, which are distributed from production bases in Tianjin, Anhui, Fujian, Guangdong, Jiangxi, and Sichuan provinces.

According to the report, last year, central and local governments jointly invested 170 million yuan (46 million U.S. dollars) to improve the bases in 28 provinces, municipalites, and regions, and installed basic and hi-tech facilities for processing, preserving, and transporting farm products.

According to recent statistics, at the 113 production bases, combined output value hit 26 billion yuan (7.03 billion U.S. dollars) in 1986, an 8.4 percent increase over 1985.

In 39 production bases, grain output was over 11 million tons last year, an increase of 6.8 percent over 1985. The bases sold 2.85 million tons of commodity grain to the state in 1986, 46 percent more than in 1985.

These production bases are planning to host a fair this autumn in Beijing to display and sell their high-quality agricultural products, the paper said.

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CSO: 4020/208

READJUSTMENT OF RURAL INDUSTRIAL STRUCTURE URGED

Harbin HEILONGJIANG RIBAO in Chinese 5 May 87 p 2

[Article by Yu Zongyi [0060 1350 5030]: "Thoughts on Readjusting the Rural Industrial Structure"]

[Text] Readjusting the rural industrial structure to adapt it to the development of a commodity economy is an important topic for rural reform. In this regard, Heilongjiang has conducted some practical experiments. Today, summarizing our experiences and examining them carefully can be very significant for future economic growth.

Since 1979, readjustment of Heilongjiang's rural industrial structure has passed through three stages. 1) From 1979 to 1984, the area sown in cereal crops was appropriately reduced, while the proportion of cash crops was increased; the area sown in coarse food grains was appropriately reduced, while the proportion of wheat, paddy, and other fine grains was increased. The regional crop layout was readjusted, attention was paid to developing forestry, animal husbandry, and fishing, and a number of township enterprises were opened. During these six years, the province's total grain production increased at an average annual rate of 2.93 percent, and the output value of crops sown (at constant 1980 prices) increased 6.3 percent, while the output value of forestry, animal husbandry, and fishing increased 9.8 percent. 2) In 1985, major, overall readjustments were made, focusing on the internal structure of cultivation. That year the ratio of grain to cash crops to other crops, which had been 85.3 to 8.2 to 6.5, was adjusted to 84 to 10.4 to 5.6, with the area sown in grain cut back; the reduction in the area sown in high-yield corn was especially great, and there were severe natural disasters. Grain production fell sharply that year. 3) Microadjustment in 1986. The area sown in grain that year rose by 1.61 million mu, and the area in high-yield crops (corn, paddy) rose by 3,445,000 mu, and the proportion of cash crops was made more suitable. Although there were also significant natural disasters that year, a bumper crop was still harvested, with grain production reaching record levels, and the entire rural economy experienced major growth.

Experience has shown that readjusting the industrial structure is a gradual, long-term process requiring positive exploration and caution; practice must be guided by the ideology of the commodity economy in order to overcome

unreasonable growth; particular attention must be paid to preventing major fluctuations in grain production.

1. The process of readjusting the rural industrial structure is a continuous, gradual process of improvement.

In each region and at all times, the industrial structure always comprises two aspects, the rational and the irrational. The rational is relative, while the irrational is absolute. Given the level of development of our productive forces and the consumer demand structure, we must affirm the rational component of the industrial structure while readjusting the irrational part. Constant changes in the productive forces and in social demand mean that this readjustment is a long-term, dynamic task that cannot be solved once and for all. Heilongjiang's current rural industrial structure seems fairly rational, but we must not rest on that basis. Future readjustment of the province's rural industrial structure must be considered in light of the timing and pace of certain specific adjustment measures in accordance with actual local conditions and be implemented smoothly according to plans.

2. Focusing on grain production is the key to readjusting the rural industrial structure and assuring a benign economic cycle.

Although Heilongjiang's grain production has tended to grow since the founding of the People's Republic, there have been several ups and downs. The grain problem has not yet been fundamentally solved. Grain production is the basic aspect of the agricultural system and the basis for solving other agricultural problems. In Heilongjiang in particular, it is grain production that dominates everything. The province's population has increased significantly since Liberation, while there has been a relative decrease in agricultural resources; as the commodity economy develops, grain use will also increase significantly. Present industrial accumulation makes it difficult to provide more funds for agricultural production, and to a certain extent it must still rely on low-priced supplies of agricultural products. Cultivation and the overall development of the rural economy are generally determined by the development of grain production. This means that grain production directly and indirectly affects the growth of the economy. Therefore, readjustment of the rural industrial structure must not ignore grain production. Overall, approaches involving a reduction in the area sown in grain and an increase in the area of cash crops are not beneficial to economic development. If the rural areas are to be made prosperous, they must develop products and industries involving low inputs, high yields, and high returns; they must not limit themselves to readjusting the planting structure or cutting back on grain production.

3. Readjustment of the rural industrial structure must strive to get away from cultivation, deal with markets, and rely on cities.

Getting away from cultivation means not focusing exclusively on cutting back the area sown in grain and developing cash crops, or cutting back on grain to raise fish or plant grass or trees, but rather allowing surplus rural labor to shift away from cultivation to other occupations, while at the same time constantly readjusting and improving the crop mix. Some should go into animal

husbandry, fishing, and fruit trees, while others should move into secondary and tertiary industries. Of course, in order to maintain the ecological balance and reap greater economic returns from those areas unsuited to planting grain, efforts to withdraw them from grain production and return to fish raising, animal husbandry, and forestry should be continued.

Dealing with markets means that product readjustment must involve forecasting market demand and carrying out "head-on readjustment." We must not merely look to see what others are doing it; by the time it gets done, the market situation will have changed, leaving our products unmarketable. We should draw a lesson from the excess production in Heilongjiang of certain traditional Chinese medicines.

Readjustment of the rural industrial structure must not slight the role of the cities. Readjustment of the rural industrial structure is not an extension of traditional agriculture; rather, it is the permeation of rural areas by modern industrial production. Certain suitable advanced technologies, equipment, and scientific management methods from the cities should become levers for promoting change in the rural industrial structure. Urban technologies, funds, equipment, and management should be selectively introduced into the countryside, and technical departments and urban industrial enterprises should be encouraged to become involved with the countryside, to develop resources and huge, potential markets for the means of production and consumption. Economic convection from the cities to the countryside will complete the reorganization of rural resources and achieve an optimum economic structure.

13322

CSO: 4006/689

CONTROL OF FAILING SUPPLY, MARKETING COOPERATIVES

Beijing NONGCUN JINRONG [RURAL FINANCE] in Chinese 16 Mar 87 pp 10-11

[Article by the Agricultural and Commercial Credit Department of the Agricultural Bank of China: "Comprehensive Control of Failing Supply and Marketing Cooperatives Requires Close Cooperation of Concerned Departments"]

[Text] Last year, the various agricultural banks throughout the country achieved good results in clearing up the situation regarding use of loans by supply and marketing cooperatives. These cooperatives are the backbone of rural markets; in years past, they were instrumental in promoting rural economic prosperity, but in recent years, with decontrol of rural markets and poorly adapted ideology and work habits, their operations have shrunk and they have suffered severe losses. About 25 percent of China's grassroots supply and marketing cooperatives are now experiencing losses; in some provinces, one-third of these cooperatives are failing. Many of these cooperatives have taken on excessive burdens; their output does not meet expenses, and their cumulative debt has increased year after year. This situation affects the overall development of the rural commodity economy; it also occupies large amounts of credit funds and impacts their turnover. According to statistics, at the end of 1985 the country's S&M cooperative system had 7,474,240,000 yuan in loans that could not participate normally in turnover. Of Jilin's 869 cooperatives, 379, or 43.6 percent, were "empty shell" cooperatives, with accumulated loans of 400 million yuan; of these, 22 cooperatives had gone into bankruptcy, owing 30 million yuan, which will be difficult to recover.

There are many reasons for this situation in the S&M cooperative system; below are five main ones:

1. Policy-related losses, with no means of making them good, become a perpetual burden. In recent years, the prices of some commodities have risen, and the economic losses of state-run commercial enterprises have been subsidized by the financial departments; those of the S&M cooperatives, however, have been absorbed by the cooperatives themselves. The commodity price readjustments in 1981 and 1983 alone caused the nation's S&M cooperatives to lose 1.5 billion yuan, accounting for 2.4 percent of the banks' loan balance. In 1986, prices for minor fertilizers were lowered, and policy-related losses amounted to more than 600 million yuan. One-third of that was made up by financial subsidies from the central government, while

provincial and county financial departments provided 400 million yuan; most areas never saw any of this.

2. Excessive administrative interference, with burdensome assessments on enterprises. According to statistics from 13 provinces for the first six months of 1986, the various types of assessments amounted to 100 million yuan. By administrative order, the S&M cooperatives in Shandong were required to reduce the price of cotton sold to textile departments by 5 to 10 percent, which caused losses of more than 60 million yuan. Such assessments are always compulsory and cover as many as 20 different items, such as road construction, electricity, water improvement, roofing, security and environmental protection, family planning incentives, etc. The S&M cooperatives are always required to pay for these, with one county generally being assessed from 300,000 to 400,000 yuan, and sometimes 500,000 to 600,000 yuan. This amounts to walking off with loans.

3. Poor management, and severe losses and waste. According to nationwide statistics, at the end of 1985 the S&M cooperative system had 3,847,690,000 yuan in problem commodities, and 3,626,550,000 yuan in problem funds, for a total of 7,474,240,000 yuan, accounting for 8.3 percent of their total circulating funds of 90.47 billion yuan, and 11.1 percent of all bank loans. The Shandong S&M system (not including cotton) had a total of 557 million yuan in problem commodities, accounting for 22.7 percent of supply inventory and 23.1 percent of bank loans; losses are forecast at 160 million yuan.

4. The contract responsibility and management systems are incomplete. Some S&M cooperatives have contract bases that are too low, which means that their income does not meet expenses; some do not use contracts, dividing up profits but not accepting responsibility for losses; some managers run things poorly and get transferred, and when the new manager arrives he does not pay attention to the old books, so that the enterprise's burden snowballs; some are interested only in immediate and partial profits, turning their backs on their obligations while spending money wildly, so that their operating problems get worse and worse.

5. Credit management is loose, and the supply of funds is unrestrained. Because credit personnel are few in number and not very qualified, without a clear understanding of the responsibility system, and because some credit policies are ill-suited to the demands of the newly developing situation, there is an unrestrained supply of funds, and enterprises are eating out of the banks' "big pot of rice," which is another important reason for the many idle loans.

We believe that the basic way to solve the problem of failing S&M cooperatives is to intensify reform. Some problems, however, require the positive coordination of various departments to help in solving them, so that vigor can be gradually restored and rural markets can be better served. To this end:

1. The S&M cooperatives must be positively helped to deal with their long-term burden. Policy-related losses should be made up by the financial departments and the higher concerned departments. If a one-time allocation is problematic, a plan for installment allocations can be formulated. We

recommend that the tax departments reduce or waive the operating tax and income tax for losing cooperatives, with the amount reduced or waived being used to make up the losses and replenish the circulating funds.

2. Measures should be taken by the S&M cooperative system to close down, merge, or transfer those "empty shell" cooperatives whose cumulative burden is such that they cannot be saved. Under the leadership of the local government, a settlement group consisting of the cooperative and the bank should be formed for an "empty shell" cooperative that has been closed down, so as to settle the enterprise's commodities, assets, creditor's rights, and liabilities. All assets of a closed cooperative revert to the county S&M cooperative, which is responsible for collecting or paying all creditor's rights or liabilities. In accordance with the requirements of rural commodity circulation, the "empty shell" cooperative may establish a cooperative according to readjustment of the economic zone, or see to the construction of a general store of suitable size to supply the means of production and livelihood to the local masses.

3. Loosen credit policy and help the S&M cooperatives to invigorate their operations. The S&M cooperatives should be enthusiastically supported in carrying out system reform, offering comprehensive services, and increasing their internal vigor. Priority support should be given to buying marketable agricultural and sideline products from S&M cooperatives and to providing ample funds needed for stocks of industrial goods; priority should be given to loans to operations offering good economic returns, for the development of commercially run industries and sideline operations in which the S&M cooperative is the project manager; priority loans should go to urgently needed commercial infrastructure; for funds tied up in losses due to policy or objective causes before 1985, negotiations should be held with the bank so that no penalty interest is added during the settlement period; funds tied up in problem commodities in "empty shell" cooperatives before 1985 should have interest waived during the settlement period.

4. S&M cooperatives should be assisted in strengthening their accounting and improving their management. At the same time as we enthusiastically support reform and invigoration of the cooperative system, we must strengthen loan management and increase our supervision of the use of funds. Specific account management should be instituted for any problem commodities and funds inventoried, and a plan formulated to deal with them; new instances of diversion or misappropriation of bank loans for capital construction and other financial expenditures should be subjected to credit sanctions according to regulations, and the funds should be recovered on time; relending of bank loans or unlawful collection of high interest should be reported to the concerned departments and severely punished, and the loans should be recovered; enterprises should be supervised and encouraged to augment their own circulating funds according to regulations, and floating interest rates should be raised in cases of extra occupancy of funds not in accordance with plans; loans issued to failing enterprises should be strictly controlled, and enterprises suffering losses due to poor management must be required to turn their losses into profits within a given period of time, with loan quotas eliminated and individual loan accounting and term management instituted; all loans to enterprises whose strength has been sapped and that are unable to save themselves should be halted.

In some areas, banks have recently been called on to halt or waive accounting on some loans to the S&M cooperative system; this is inappropriate. Problems with funds for S&M cooperatives were caused by many factors. The problems must be solved by those who created them; all the conflicts cannot simply be dumped in the lap of the banks. Banks rely primarily on deposits by the public as the source for their loan funds; these deposits are short-term and reimbursable. When enterprises take loans from banks, they must repay them, and they must pay interest in order to ensure that bank funds turn over normally. At the same time, agricultural banks are also financial enterprises with independent accounting that take responsibility for profit and loss, and they are not capable of bearing the economic losses created by halting or waiving loan accounting. Therefore, regardless of what operating mode the S&M cooperatives adopt, and regardless of what their situation is, agricultural banks should in no case be allowed to halt or waive interest on loans. The credit departments of all agricultural banks should ponder their actual situation and do surveys and research, setting the corresponding loan policies according to whether S&M cooperatives are contracted, leased, or sold, establishing creditor's rights and liabilities, providing credit services, and promoting economic development and expanded circulation.

13322

CSO: 4006/690

MEASURES TO MANAGE PROJECTS IN POOR AREAS

OWO90611 Beijing XINHUA Domestic Service in Chinese 0201 GMT 8 Jun 87

[Text] Beijing, 8 June (XINHUA)--In order to make better use of central and local funds earmarked for economic development in poor areas and make investments and exercise management in accordance with development projects, the State Council's Leading Group for Economic Development in Poor Areas, the Finance Ministry, the People's Bank of China, and the Agricultural Bank of China recently formulated jointly the "Tentative Measures for Management of Economic Development Projects in Poor Areas Throughout the Nation."

The "Tentative Measures for Management of Economic Development Projects in Poor Areas Throughout the Nation" contains six chapters, namely, General Principles; Selecting and Determining Projects; Verifying and Evaluating Projects; Implementing and Supervising Projects; Concluding Testing, and Accepting Projects; and Organized Guidance for Projects. The tentative measures point out that making investments and exercising management according to projects are intensive reforms and progress in rural economic construction. Through the management of these projects, specific plans for economic development in poor areas will be drawn up; limited funds will be pooled and used selectively in the most needy places; and investment will be made on the basis of scientific management procedures to achieve better results in economic development and to train new-type management personnel.

The tentative measures stipulate; currently, the implementation of the project investment system in using funds earmarked for poor areas is intended for projects that require less investment, yield quick results, and turn out readily marketable products; can be undertaken by and are beneficial to all households; will create jobs for poor households; and can quickly solve the problems of food and clothing for the masses. The basic forms of these projects are service centers based on production activities of thousands of households and supplemented by serialized comprehensive services in terms of fine-strain seeds, technology, procurement, processing, storage, and transportation. These service centers are interrelated parts forming a commodity production network. Small projects suitable for independent development by poor households or joint development by several households may also be separately set up.

The tentative measures also note: Selection of economic development projects in poor areas should be based on the availability of local resources and should conform to the overall plans and requirements of local economic development.

There must be reliable markets for products turned out by these projects as well as the necessary technology to ensure the quality and competitiveness of these products. It is necessary to take into consideration other related factors such as transportation, energy, and service networks so that resources can be fully exploited and turned into commodities. Projects should be subjected to scientific verification and evaluation by experts before they are finalized. All departments concerned should inspect and supervise units that implement projects under their charge to ensure that projects are well organized, coordination is good, problems are promptly solved, and projects are smoothly implemented. After the completion of a project, experience should promptly be summed up, acceptance tests conducted, written reports submitted, and rewards and penalties given out. Projects should be developed in an organized manner and essential organs set up to exercise leadership and management.

The State Council's Leading Group for Economic Development in Poor Areas and other departments stressed: In order to develop projects more successfully, it is hoped that all localities will earnestly implement the instruction of the State Council's leading comrades; pool all local and central funds earmarked for poor areas and use them on essential projects; and thoroughly discard the practice of extensively scattering funds among unimportant projects. Meanwhile, they also pointed out that to make better use of the state's newly added 1 billion yuan in discount loans for project development, all localities should appropriate a special amount of money from "funds to support the development of economically underdeveloped areas" to serve as fees for technical training in coordination with the use of the discount loans. All departments concerned should actively support and earnestly implement this undertaking.

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TWO PRICE SYSTEM FOR GRAIN PROCUREMENT, SALES URGED

Beijing JINGJIXUE ZHOUBAO in Chinese 26 Apr 87 p 4

[Article by Cai Guoxin [5591 0948 2450], Nanjing Grain Economics Institute: "Pervasive Study of the "Two Track System" For Grain -- Roundup on Discussion Meeting About Economic Cntrol of Grain"]

[Text] A meeting about economic control of grain, the convening of which was organized by the Nanjing Grain Economics Institute, was held in Nanjing from 16 through 21 March. The meeting discussed thoughts on the grain situation and goal models for grain flow in the economy, and emphasized problems with the "two track system" for grain, including a pervasive discussion of the concept, theoretical basis and practical basis of the "two track system", its positive role and drawbacks, and how to perfect it and put it into practice.

1. Conceptual Problems About the "Two Track System" for Grain

a. The "two track system" means a two track price system, one track being the state set price and the other being the market price. The grain price issue is thus the core and the crux of the "two track systems."

b. The "two track system" consists of dual channels for the buying and selling of grain, one of which is fixed procurement and guaranteed sales at a uniform price, the other being procurement at negotiated prices and sale at negotiated prices. Development of the "two track system" does not mean development at the same pace; procurement and sales at a uniform price have to be reduced and procurement and sales at negotiated prices have to be expanded.

c. In the "two track system," the state controls a piece and the market enlivens a piece. The piece that the state controls is the state quota that is to be fulfilled through economic contracts and by the peasants. The piece that is enlivened by markets is the grain that remains after contracts have been fulfilled that must be released to enliven markets.

d. The "two track system" is a combination of plan and markets, meaning that planning methods and market regulation methods are used in the buying and selling of grain. These two economic regulatory mechanisms operate at the same time in a basic system in which both are indispensable.

The basis in economic theory and the basis in practice of the "two track system."

1. The theoretical basis for the "two track system" is deemed to be the commodity economy. The "two track system" for grain prices is a product of commodity economy production under specific conditions, and it is also the inevitable outcome of reform of the country's price system. The "two track system: is a manifestation of the form of the country's price system reform. Briefly, this form has two main points: The first is the macroeconomic aspect of prices being controlled mostly by the state. The second is that the form of prices should be a price system made up of multiple elements. Therefore, the "two track system" relates to the commodity economy; it has nothing to do with the social system.

2. The theoretical basis for the "two track system" is the planned commodity economy. The "two track system" is an outgrowth of interaction between the laws of planned proportional development and basic economic laws. Socialism is a system of public ownership that must practice a planned economy. Without state macroeconomic control and no grain in the hands of the state, society might easily get into trouble. However, there can be no repetition of the product distribution system under the former system; thus, the "two track system" is an inevitable stage that a socialist planned commodity economy cannot skip over. In this sense, it may be said to be related to the socialist system of public ownership and differs in character from dual prices.

In addition, one has to recognize the practical basis generated by the "two track system." Though grain is a special case, it is also a common commodity, the market regulation of which must follow commodity economy principles. The "two track system: is in keeping with the country's national circumstances and the grain situation. It must be realized that there is a limit to price regulation. If conditions are not right for it, complete relaxation of prices can create harmful results. Consequently, all actions have to proceed from the basic point of the fundamental interests of the people. In short, the "two track system" has risen as an accompaniment to the country's planned commodity economy, and has been explicitly proposed only during the economic reform of recent years. It is also a new issue currently being explored during reform of the socialist national economy.

2. The Positive Role of the "Two Track System" and Its Drawbacks

Positive Role:

a. The "two track system" can spur grain production and further improve grain exchange, distribution, and consumption to the benefit of producers, dealers and consumers.

b. It helps the opening up and enlivening of the national economy, and it can give rise to markets that are controlled without being throttled, and that are lively without being chaotic, promoting a benign cycle in the national economy.

c. It helps promote system reform in the grain economy and the correct handling of the interests of the state, collectives and individuals to stir enthusiasm in all quarters and improve economic results.

d. It helps increase income and cut costs, and reduces state financial subsidies. It helps an equitable distribution of grain, conversion of grain, consumption of grain, and transportation and storage of grain.

e. It helps stabilize market prices and helps social order and unity. "When grain is stable, the nation is stable."

Major Drawbacks:

a. Certain contradictions, loopholes and frictions exist in the "two track system." Unless well controlled, speculators may be provided opportunities and the development of unhealthy capitalist tendencies may be fostered.

b. It is bad for readjustment of the structure of industry and for rationalizing the varieties of grain produced.

c. A lot of work is required and constant changes in numerous elements makes calculations extremely irksome.

3. How to Perfect and Implement the "Two Track System"

Some comrades advocate, first, mandatory administrative measures that make clear to the peasants that fixed contract procurement is a duty, the fulfillment of which the broad masses of peasants should bend every effort. Second, they want to increase grain procurement prices as financial resources permit, doing all possible to operate in accordance with the laws of value. Third, they want to order two track priorities, devoting leadership energies and policy measures to the main line of fixed contract procurement. Fourth, they want to form negotiated price dealings into a fist both vertically and horizontally for concerted action. Thus, an agreed upon understanding on control is necessary; operation has to be flexible; and distribution has to be equitable.

Yet another group of comrades believes that perfection and implementation of a "two track system" requires doing a solid job in the following several regards:

First is to acknowledge the co-existence of the "two track system" with a planned commodity economy, with consequent development of productivity, development of a commodity economy, increase in grain output, curtailment of excessive consumption of grain, putting an end to waste, and intensification of controls over grain being priority matters.

Second, promotion of the "two track system" has to begin with a matching of the macroeconomy and the microeconomy, taking a firm grip on matches in three regards, namely measures to match production, distribution, exchange and consumption; measures to match the overall application of economic levers; and measures to match economic methods, administrative methods, and legal methods.

Third, the core of the "two track system" is price problems, prices having to be the start in finding solutions. It has to be acknowledged that so long as there is a dual circulation (parity and negotiated prices), parity and negotiated prices may be interchanged and augmented; boundaries between the two should not be drawn too strictly. Consideration should also be given to slow, step-by-step readjustment of grain prices, at the same time changing hidden subsidies to open subsidies in order to be in a better position for the final straightening out of grain prices and reforming the grain pricing system.

Fourth, measures to strengthen administrative control are also necessary for the promotion of a "two track system." The current focus is on the curtailment of sales at a uniform price, which is workable and can be done easily in the current situation of increased earnings by the people in cities and the countryside. Some investigation will have to be done on the extent to which curtailment can be carried out, implementation being done following quantitative and qualitative analysis.

Fifth is the need to increase Party leadership of grain work, to strengthen grain control organizations, to institute legal system controls, and to establish and perfect grain economy regulations.

9432
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GREATER PRODUCTION SPECIALIZATION, MORE COMMODITY PRODUCTION

Beijing NONGMIN RIBAO in Chinese 1 May 87 p 1

[Article by Reporter Tong Nong [4547 6593] and Correspondent Zhang Xiaoou [1728 1420 7743]: "Greater Specialization of Production and More Commodity Production. Great Increase in Number of Rural Specialized Households Throughout the Country During 1986. State Statistical Bureau Provides Most Recent Information To the Newspaper"]

[Text] The Rural Department of the State Statistical Bureau has provided the newspaper with the most recent information as follows: A tremendous increase took place nationwide during 1986 in the number of all kinds of rural specialized households. According to uniform statistics for the whole country, the number of specialized households of all kinds reached 3,696,000, a jump of 16.3 percent over 1985 reaching 1.9 percent of all rural households.

Specialized households showed the following features in their development during 1986: The range of operations continued to expand and the number of high income households increase very greatly. The number of specialized households engaged in secondary and tertiary industries amounted to 63.2 percent of all specialized households. The degree of specialization and of commodity production increased very quickly for an increased contribution to the country.

Rise in the labor productivity rate and increase in the degree of specialization and of commodity production were some of the most salient features in the development of specialized households during 1986. Collation of statistics from a portion of provinces, autonomous regions and directly administered municipalities shows earnings per capita of 2,842 yuan for specialized households in 1986, which was 2.85 times again as high as for labor in general in these areas. Earnings from specialization by specialized households engaged in secondary and tertiary industry accounted for 81.5 percent of the total. Income from the sale of products by specialized households engaged in farming, forestry, animal husbandry, fishing, and industry accounted for 78.1 percent of gross income from the five industries.

Survey shows the number of specialized households engaged in primary industries to have increased by only 2.8 percent during 1986; however, the number engaged in secondary and tertiary industries increased by 14.6 and 17.4

percent respectively to more than 60 percent. The views of experts in this regard is that the rapid development of business, food and drink, and service industries as a result of the quick results and high earnings they produce is an objective requirement for readjustment of the structure of rural industry. A tremendous increase has taken place in the number of households specializing in construction in the wake of the "house building craze." Meanwhile, growth of specialized households engaged in primary industries has slowed and has been affected by many factors, such as fodder problems, which have reduced by 13.4 percent the number of households specializing in animal husbandry. Since the production cycle is long and results are slow in coming in forestry, a 9.8 percent decrease has taken place in forestry industry specialized households.

Analysis of statistical data shows the increase in specialized households as having been very inconsistent in recent years, with large fluctuations. The ineptitude of specialized households themselves aside, this has been mainly attributable to lack of understanding of policies and lack of guidance and support in various regards. Units concerned feel serious attention should be given to this.

9432

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IDEAS FOR BIGGER PAYOFF FROM INVESTMENT IN AGRICULTURE

Taiyuan NONGYE JINGJI XIAOGUO [AGRO-ECONOMIC RESULTS] in Chinese No 2, 25 Apr 87 pp 2-5

[Article by Lei Xilu [7191 6932 4389] and Ma Xiaohe [7456 2556 3109], Planning and Economic Research Institute, State Planning Commission: "Current Problems in Agricultural Inputs and Their Solution"]

[Text] Current Major Problems in Agricultural Investment

a. Decline in the Percentage of State Investment in Agriculture

During the Sixth 5-Year Plan, national investment in the capital construction of agriculture amounted to 17,780,000,000 yuan, or 27.8 percent less than the Fifth 5-Year Plan investment of 24,610,000 yuan, and it was 5.2 percent of the total national investment in capital construction. Not only was it less than half the 10.5 percent of the Fifth 5-Year Plan period, but it was also the lowest of any of the six 5-year plan periods since founding of the People's Republic. Since 1979, investment in the capital construction of agriculture as a percentage of total investment in capital construction declined for 6 years in a row from 11.1 percent in 1979 to 9.3 percent in 1980, to 6.1 percent in 1982, to 6 percent in 1984, to 4 percent in 1985, which was the lowest year for investment in the capital construction of agriculture in the more than 30 years since founding of the People's Republic. In the USSR, investment in the capital construction of agriculture as a percentage of total national investment in capital construction rose from 11.5 percent for the period 1961 through 1965 to 16.6 percent for the period 1971 through 1975, and rose again to 18.5 percent for the period 1976 through 1980. In recent years, it has been approximately 17 percent in Hungary and more than 20 percent in India.

State investment in the capital construction of agriculture as a percentage of the gross output value of agriculture (not counting the output value of industry at the village level and below) went from 2.75 percent in 1978 to 2.63 percent in 1980, and has declined to approximately 1.4 percent since 1981. In 1985, it dropped to 1.44 percent, which was 48 percent lower than in 1978. This percentage for China is very much lower than the 42.3 percent for West Germany, 36.1 percent for France, and 16.7 percent for Denmark, and is also lower than for the USSR and the countries of eastern Europe.

As a result of the decline in the percentage of investment in the capital construction of agriculture in recent years, a decline has taken place in the percentage of fixed assets relative to the gross output value of agriculture. The amount of fixed assets capital per 100 yuan of the gross output value of agriculture (not including the output value of village operated industries) declined from 54.50 yuan in 1980 to 45.50 yuan in 1983, a one-sixth decline. China's 46 yuan of fixed assets per 100 yuan of output value is very much less than the 640 yuan of Japan, the 460 yuan of West Germany, the 450 yuan of the United States, the 400 yuan of France, and the 112 yuan of the USSR.

Statistical data from water conservancy units show 2.11 billion yuan as having been assigned as farmland water conservancy subsidies to all provinces, the actual amounts provided by all provinces themselves having been 1.8 billion yuan in 1980, 1.37 billion yuan in 1981, 1.3 billion yuan in 1982, 1.2 billion yuan in 1983, and 1.16 billion yuan in 1984 or 45 percent less than the assigned quota for 1980.

Even though peasants themselves have increased fixed assets of a production nature in recent years; nevertheless, most such assets are used in industrial sideline occupations, few of them being used in agricultural production. As a result of the diversion to other purposes of agricultural water conservancy funds by all jurisdictions and the effects of factors such as prices, there have been no funds available for major overhauls of agricultural projects and facilities, or for their replacement or renovation. The problem of the collection of water fees for water conservancy projects has not been solved satisfactorily; everywhere in the country there has been a large amount of damage to agricultural capital construction projects and facilities; the utilization rate is not high; and the transfer of some facilities out of farming to other agricultural units or non-agricultural units has resulted in the amount of fixed assets per mu used in farming being less than half that of the past several years in some provinces and regions.

b. Reduction in Material Inputs Into Agriculture

Up until 1984, the trend was largely toward gradual increase in the agricultural use of machines, chemical fertilizer and pesticides. In 1985, the amount of chemical fertilizer used nationwide was 73,105,000 tons (actual figures), a 1,844,000 ton decrease from 1984, and a 740,000 ton decrease from 1983. Use of pesticides figured in terms of comparable prices showed a 143 million yuan reduction from 1984, or a 7.4 percent drop in investment in pesticides. Sales of chemical fertilizer during January and February 1986, and sales of pesticides from January through March 1986 were lower than for the same period in 1985. Despite a slight rise over the same period in the previous year in sales of chemical fertilizer and pesticides from January through April, they did not return to the levels of the same period in 1984. In 1985, 852,357 large and medium tractors were in use, 1,557 fewer than in 1984, and 1,103,000 large and medium size tractor-drawn implements were in use. This was not only 132,000 fewer than the 1984 number, but also 89,000 fewer than the 1978 number. Despite a rise over the previous year in the numbers of small tractors and hand tractors used in agriculture in 1985, most were used in non-agricultural activities. As a result the ratio between them and small associated farm machines and implements fell from the 1 to 1.2 of

1980 to 1 to 0.8. Forty-six percent of the small tractors and hand tractors that were part of the 1985 increase were without associated farm machines and implements. In 1985, power machinery with a total of 78,243,000 horsepower were used in agriculture for drainage and irrigation, 296,000 horsepower less than in 1984. There were 47,000 fewer mechanized wells than in 1984.

1. Decline in agricultural mechanization. During 1985 the machine plowed area, the machine planted area, and the machine harvested area nationwide was respectively 7,194,000 mu, 3,321,000 mu and 310,000 mu less than in 1984. This included a more than 93.4 million mu reduction from 1978 in the machine plowed area, a decline of 15.3 percent.

2. Reduction in irrigated area nationwide. Though the construction of water conservancy in recent years has increased the effectively irrigated area nationwide by tens of million mu; nevertheless, reduction in the irrigated area resulting from failure to make repairs or scrapping of projects and from land takeovers for construction has exceeded the area increased. The effectively irrigated area nationwide reached 660,540,000 mu as of the end of 1985, which was 6.26 million mu less than in 1984 and 13.94 million mu less than in 1978 for a 2.1 percent decline. There are several thousand-odd irrigation zones with an area of 10,000 mu or more that have not been fully equipped, and there are more than 500,000 mechanized wells that have not been fully equipped, and the in-service rate for those mechanized wells that have been fully equipped is only approximately 89 percent.

c. Decline in Amount of Agricultural Labor and Drop in Quality

Simultaneous with a decline in the amount of investment and material input has been the appearance of three trends toward change in the input of animate labor in some areas.

First of all, the decrease in the input of animate labor into agriculture has been too great. With development of the rural economy and the national economy, and a rise in the agricultural labor productivity rate, a labor surplus has taken place in agriculture (mostly in farming). The surplus labor in farming had to move gradually into forestry, animal husbandry, sideline occupations, the fishing industry and non-agricultural jobs with no loss of grain production. However, in economically developed areas and in poorly developed areas, the outflow of labor from farming was too fast. Numerous young and able-bodied workers and "able persons" bounded out the "agricultural door" leaving too few people in agriculture (mostly farming), and most of these were old, young, women, or feeble (termed the International Working Women's Day Corps and the International Children's Day Corps). The quality of the workforce declined sharply.

Second, in many areas, agricultural accumulations had declined or had been wiped out. During the 1960's and the 1970's, each member of the rural workforce in the country devoted 10 to 15 hours of labor each year to the capital construction of farmland; today there is very little of this.

Third is a decline in the number of specialized households in agriculture. In 1985, there were 1,079,000 fewer specialized households in villages throughout

the country than in 1984, and 711,000 or 65.9 percent of this decrease had been among specialized households engaged in farming and animal husbandry. The reduction in specialized households engaged in farming amounted to 54 percent of the total number of rural specialized households nationwide.

d. Not Very Good Economic Results From Inputs Into Agriculture

Comparison of the past 10-odd years with the 1950's shows a lengthening of work time for capital construction in agriculture, an increase in construction costs, and a decline in the utilization rate for agricultural fixed assets that have been turned over after building (a decline from the more than 80 percent of the 1950's to between 60 and 70 percent during the past several years). The utilization rate for fixed assets in being is not high, nor have they fully lived up to expectations. Calculations made by authorities concerned show the real performance of agricultural capital construction as being between 50 and 60 percent of expectations. For example, the utilization rate for the total power of farm machines nationwide is only between one-fourth and one-fifth; the effective utilization of water from water-carrying and irrigation projects is only 30 to 40 percent, and the utilization rate for chemical fertilizer used in agriculture is also very low. In addition, differences between one area and another and one industry and another in the direction and make-up of inputs into agriculture are not entirely rational, with the result that inputs can scarcely bring about complete benefits for the rural economy.

Decline in short-term investment in agriculture can directly impair agricultural production in the current year; decline in long-term investment will cause a lack of reserve strength for the development of agriculture; and poor economic results from inputs can completely debilitate agricultural production. They are all preludes to a regression in agricultural productivity. The decline in grain output by more than 50 billion jin in 1985 was entirely attributable to the foregoing factors. Unless this problem is solved, it is bound to impair fulfillment of plans for agriculture during the Seventh 5-Year Plan and for the end of this century.

2. Counteractions For Solution

In order to maintain reserve strength for the development of agriculture, to fulfill the strategic tasks of the Seventh 5-Year Plan and for the end of the century, a series of problems will have to be solved, and an increase in inputs and a rise in economic results are main problems that must be solved. The following counteractions are tentatively offered in view of the foregoing problems.

a. Need To Devote Serious Attention to the Strategic Position of Agriculture in the Development of the National Economy

With the enormous increase in output of agricultural and sideline products of recent years, the basic role of agriculture has come to be slighted in the thinking of quite a few people. The main energies of leaders in many prefectures, counties, and townships have shifted from agricultural to non-agricultural industries. Historical experience has demonstrated that when

problems arise in the foundation that is agriculture, there is bound to be an adverse affect on China's planned development of a commodity economy. Reform of the country's economic system during the past 2 years has been carried out from a foundation of achievements scored in the reform of agriculture and the fairly rapid development of agricultural production. Should agricultural production stagnate without moving forward, a speed up in future reform of the country's economic system will become difficult, and the period of overlap between the new and the old system will be lengthened causing unnecessary frictions between the systems and losses. This is the truth of the statements that "without grain, there is chaos," and "without agriculture, there is instability." Therefore, solution to the problem of inputs into agriculture requires, first of all, a correct understanding and serious attention to the basic role of agriculture.

b. Need To Increase Agricultural Inputs

The Seventh 5-Year Plan calls for a 1990 gross output value of 353 billion yuan (not including the output value of brigade-operated industries), a grain output of between 850 billion and 900 billion jin, and a cotton output of 4.25 million tons. Calculations based on the need for 0.54 yuan in agricultural fixed assets for each yuan of agricultural output value in 1980, approximately 190 billion yuan of agricultural fixed assets will be needed in 1990. The current amount is approximately 120 billion yuan, so another approximately 70 billion yuan in fixed assets will have to be newly added during the Seventh 5-Year Plan. Figured at a fixed assets formation rate of 65 percent, an investment in agriculture during the Seventh 5-Year Plan totaling approximately 108 billion yuan will be required.

How much national investment in capital construction will be required? Figured in terms of the national increase in grain output between 1953 and 1980 of 100 billion jin, the national investment in capital construction will increase by approximately 25 billion yuan. On the basis of 900 billion jin of grain being produced in 1990, a national investment in capital construction of more than 35 billion yuan will be required during the Seventh 5-Year Plan period. This will be approximately 32 percent of the total investment in capital construction needed in agriculture. The value of agricultural fixed assets in being throughout the country at the present time is approximately 120 billion yuan. At a rate of 5 percent per year of the original value of fixed assets for replacement and improvements, or approximately 6 billion yuan, 30 billion yuan will be needed during the Seventh 5-Year Plan. An additional nearly 100 billion yuan in construction funds and working capital will be required for the development of township and town enterprises, and for the building of rural market towns.

In addition, another approximately 70 million horsepower of newly added agricultural machine power will be needed by 1990, and approximately 90 million tons of chemical fertilizer plus other materials used in agriculture will be needed. In order to be able to provide the foregoing inputs, we suggest the following:

1. Increase in the amount of state investment in agricultural capital construction, and phased increase in the percentage of investment in

agricultural capital construction. It is recommended that during the Seventh 5-Year Plan, an investment of 500 billion yuan investment in capital construction be provided by state-owned units, and that an investment of 375 billion yuan be provided by central government units, including an investment of 14.68 billion yuan in agriculture, water conservancy and meteorology, 87 percent more investment than during the Sixth 5-Year Plan and amounting to 3.9 percent of investment provided by central government units, or slightly less than the 4.5 percent of the Sixth 5-Year Plan. It is recommended that central government units concerned gradually increase investment in agriculture as economic development and increase in financial revenues permit. Local governments at all levels should act in the spirit of instructions contained in 1986 Document No. 1 from the central government, which said: "All provinces, autonomous regions, and directly administered municipalities, as well as all counties, are to make sure to use properly all categories of funds provided by the central government and not divert them to unintended purposes. Insofar as possible, more money should also be invested in agriculture out of local public funds to reverse the situation of decrease little by little in local investment in agriculture. Investment in water conservancy should be revived as quickly as possible to the 1980 level when it was paid for out of public funds." Investment in capital construction for agriculture by state-owned units during the Seventh 5-Year Plan should thus reach approximately 35 billion yuan, the percentage of investment in agriculture thereby reaching approximately 7 percent of the percentage of investment in capital construction by state-owned enterprises for an increase over the 5.2 percent of the Sixth 5-Year Plan. It is recommended that it be gradually revived to approximately 10 percent during the 1990's.

It is recommended that following reform of the public finance system, local responsibility for small farmland water conservancy, and for water and soil conservation fees be restored as quickly as possible to the national 2.11 billion yuan level of 1980 when these costs were paid out of public funds.

State investment in capital construction for agriculture is used primarily in projects that play a major role in the development of agriculture such as the harnessing of large rivers, the construction of master water conservancy projects, the planting of forests and grasslands that provide ecological and social benefits, and such major projects, the building of agricultural commodity bases, and the building of technical facilities for a system that provides services to agriculture before and after production, for the building of a system for agricultural education, scientific research, and technical promotion endeavors, and construction to change the situation in needy areas, etc.

b. Capital construction for agriculture will require an investment of 108 billion yuan during the Seventh 5-Year Plan, In addition to a recommended investment of approximately 35 billion yuan by central and local governments together, the remaining 73 billion yuan investment and approximately 30 million yuan required for replacement and improvement of fixed assets, as well as the several hundred billion needed for the development of township enterprises, for the building of rural market towns, and for the development of the rural economy will have to come mostly from rural collectives and funds raised by the peasants themselves, accumulations from agricultural labor, and

the collection of reasonable fees for water conservancy projects and other agricultural facilities. Banks and credit cooperatives will also have to play a role in amassing capital to support agriculture and developing lateral economic links between the city and the countryside, and some foreign capital will be attracted, etc.

c. Serious attention to labor accumulations, advocating and encouraging labor to invest in shares to make full use of the plentiful strength of the country's labor resources. Were every member of the rural workforce throughout the country to devote between 10 and 15 days of labor each year to construction, that would amount to between 20.8 and 31 billion workdays. At a rate of 2.50 yuan per workday, the total accumulation from labor would be between 52 billion and 78 billion yuan.

d. Further guiding of peasants and rural enterprises in the correct handling of the correlation between accumulation and consumption. During 1984, 55.4 billion yuan was invested in rural fixed assets, and rural accumulations amounted to approximately 62 billion yuan, increasing by 41.6 billion yuan from the 20.4 billion yuan of 1978 for an average annual increase of 6.9 billion yuan. If there were an average annual increase of 7 billion yuan during the Seventh 5-Year Plan, rural accumulations could reach 104 billion yuan by 1990, and rural accumulations during the Seventh 5-Year plan would total approximately 450 billion yuan. Were 60 percent of this to be used for non-productive construction (in 1984, non-productive construction amounted to approximately 48 percent of accumulations), another 180 billion yuan could be used to increase investments in fixed assets used for production and to increase available working capital.

e. Need For Steady Increase in Economic Results From Investment

1. First, there has to be an increase in management, maintenance, repair, replacement and equipping of existing agricultural capital construction projects and facilities to increase utilization rates so that full use is made of them. This requires less investment than new construction and the purchase of new equipment, and benefits show more quickly and are greater. If associated tasks such as improved management and repair of water conservancy projects increased the effective utilization rate for water from the current 30 to 40 percent to 50 or 60 percent, and attention were paid to scientific irrigation, existing facilities could increase the irrigated area by nearly 10 million mu.

2. Simultaneous with increase in investment in materials should be better control over and rational use of seeds, chemical fertilizer and pesticides to improve benefits from increased yields.

3. Serious attention should be given economic benefits from funds to support agriculture. Though the state has not provided much funds for the support of agriculture for a long time, economic benefits have not been good from those funds that have been provided. Limited funds have not have produced the benefits they should have produced. It is suggested that provinces, autonomous regions and directly administered municipal governments centrally plan the use of funds and loans for support of agriculture from various units

in the country, and that they be invested on the basis of uniform plans and construction programs in construction projects for production that relate to the public interest and economic development. A scientific method and procedures should be phased in for evaluating the economic results received from funds for the support of agriculture that have been invested for improvement of feasibility studies. Capital construction projects must be handled strictly in accordance with capital construction procedures. Control must be strengthened over every stage of planning, design and construction, for overall balance. Some state investment in capital construction may be changed from uncompensated investment to compensated investment. In short, every effective measure should be adopted to improve steadily economic results from investment in agriculture.

Implementation of the foregoing policies also requires establishment of a group of overall mechanisms to help development of agricultural productivity and to stir active investment by the peasantry, including those for control over the use of agricultural funds and inputs of materials used in agriculture, for labor accumulations, tax collection and price regulation etc.

9432

CSO:4006/701

ANHUI TO SET UP MORE GRAIN BASES

Hefei ANHUI RIBAO in Chinese 28 Apr 87 p 1

[Article: "Province To Set Up 10 More Commodity Grain Base Counties. Increase in Agricultural Investment For Development of Grain Production"]

[Text] Nine of the 10 commodity grain base counties to be set up in the province are wheat production base counties. The other one is a premium quality rice production base county. The ten counties are Woyang County, Mengcheng County, Fuyang County, Linqun County, Taihe County, Xiao County, Suixi County, Wuhe County, and Taihu County. These 10 counties have 19.4 percent of the province's total population and 23.5 percent of the province's total cultivated land area. Their gross output of grain amounts to 17.7 percent of the province's gross grain output, gross output of wheat amounting to 33.58 percent of the province's gross output. Grain output is 450 kilograms per capita of agricultural population. For many years in a row, these counties have provided the state with more than 50,000 tons of grain annually, and they have an enormous potential for the development of grain production.

Anhui Province has scored outstanding results from the concentration of capital for the building of commodity grain base counties beginning with the Sixth 5-Year Plan period, and it has accumulated experience as well. These 10 counties were the first group of commodity grain base counties to be planned during the Seventh 5-Year Plan by both the country and Anhui Province. As the amount of investment in agriculture by the state and the province increases, the 56 counties in the province that provide the state with 50,000 tons of commodity grain annually will gradually be built into commodity grain base counties. The state and the province plan to put a total of 40 million yuan into these 10 commodity grain bases, the funds to be allotted during 1987 and 1988, the state and local jurisdictions jointly investing funds and materials at a 1 to 1 ratio. Most of this money will be used for basic facilities that directly increase grain production, and for urgently needed promotion of agricultural techniques, breeding of fine varieties, administration and management, and agricultural mechanization services in order to bring into being as quickly as possible overall capabilities for consistent and outstanding increases in grain output.

At the present time, these 10 commodity grain base counties are working hard on the preparation of building plans that meet state and provincial government requirements, and on the firming up of plans for local use of funds and materials.

FOREIGN FUNDS HELP MECHANIZATION IN HEILONGJIANG

OWO71216 Beijing XINHUA in English 1151 GMT 7 Jun 87

[Text] Beijing, 7 June (XINHUA)--Land reclamation farms in northeast China's Heilongjiang Province have accelerated the pace of farm mechanization over the past few years, thanks to introduction of foreign technology and funds.

According to an official from the province's State Farm Administration, the land reclamation farms in the province have conducted economic and technological cooperation on 20 projects with more than 10 countries and regions, using a foreign investment totalling 14,000 U.S. dollars, 85 percent of which were soft or interest-free loans.

Cooperation projects included procurement of advanced farm machines, construction of modern state farms, importing advanced teaching aids and research and research equipment and sending students to study abroad.

Heilongjiang Province is one of China's major grain producers, whose grain output has increased at an average annual rate of 5 million tons over the past 6 years to reach 45 million tons last year.

The land reclamation area in the province has 101 state farms, covering 2 million hectares of farmland. Another 730,000 hectares remain to be developed.

In 1978 the state began to launch a pilot mechanization project at the Youyi State Farm in eastern Heilongjiang by using foreign investment and technology. The state invested 1 million U.S. dollars in buying 62 pieces of equipment from the United States, which helped mechanize the whole process of farming from ploughing, field management, fertilizer application to weeding and harvesting. The pilot project with 48 workers produced 39.69 million kg of grain by the end of last year, averaging more than 4 million kg a year, and reaped a profit of 3.86 million yuan, averaging 429,000 yuan a year. Its grain output per agricultural worker is 220,000 kg and its profit per workers is more than 20,000 yuan. By the end of last year, the project already recovered more than 6 million yuan, more than double that of state investment.

The Honghe Farm, located in Tongjiang County in the eastern part of Sanjiang plain, is a Sino-Japanese joint venture. The Japanese side provided a loan of 13.5 million U.S. dollars. The farm introduced the equipment from the United States and Japan.

From 1981 to 1986, the farm paid back the loans with soybean produced. The farm produced a total of 23,000 tons of grain and bean and had 12,600 tons turned over to the state last year resulting in a profit of 400,000 yuan.

Heilongjiang Province signed a loan and credit agreement with the World Bank and the international development association for buying tractors, combine harvesters and irrigation machines for use in reclaiming 200,000 hectares of land.

The Australian Government also provided aircraft for farm use and transportation means for establishing a land reclamation aeronautic experiment station. The Canadian Government aided the land reclamation area with some teaching and research equipment.

Most of the projects are experimental in nature, said an official from the State Farm Administration. The purpose is to explore ways of modernizing China's state farms and accelerating the farm modernization program in the country as a whole. He said that the administration will create more favorable conditions to attract foreign investors.

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CSO: 4020/206

HUNAN USES BACTERIA TO RAISE FARM OUTPUT

OW200928 Beijing XINHUA in English 0715 GMT 20 May 87

[Text] Beijing, 20 May (XINHUA)--Central China's Hunan Province has started applying bacteria to seeds and fields in a bid to increase the output of grain, cotton and rape, today's ECONOMIC DAILY reported.

According to a recent joint survey by the State Economic Commission and the Ministry of Agriculture, Animal Husbandry and Fisheries, "Hunan saw increases in rice output up to 31.8 percent; wheat, up to 25.8 percent; corn, up to 19.8 percent; spring sweet potatoes, up to 16.9 percent and summer sweet potatoes, up to 25.3 percent."

"Mixed with seeds of spread on crops, the new 'output increase bacteria' can check the growth of harmful bacteria, promote plant growth, and make plants more resistant to disease," horticulturists said.

"The bacteris was isolated by the Beijing Agricultural University," the report said, "and last year, Hunan applied it to 775,000 hectares of land."

Experts hope the bacteria will boost China's grain, cotton and oil-bearing seed output after it is introduced in more areas.

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CSO: 4020/206

SHANDONG CREDIT COOPERATIVES DEVELOP

Beijing NONGCUN JINRONG [RURAL FINANCE] in Chinese 16 Mar 87 pp 22-23

[Article by Shen Jiaao [3088 1367 7663] and Liu Zeliang [0491 3419 0081]: "New Growth in Operating Results of Shandong Rural Credit Cooperatives"]

[Text] On the basis of the first-ever surpluses in the 30 years since the founding of the People's Republic realized in 1985 by Shandong's rural credit cooperatives, they continued to strengthen their operations and management in 1986, realizing surpluses for a second year and leading to new growth in their operating results. The province's 2,180 credit cooperatives had a total surplus of 210 million yuan, a 27.3 percent increase over the previous year; average profit generated per worker was 7,291 yuan, an increase of 18 percent over the previous year.

I. Available Funds Increase Sharply

In 1986, the province's credit cooperatives adopted effective measures and treated fund-raising as their most important task; there was a major increase in deposits of all types, bringing the level of available funds to an all-time high. In 1986 the province's credit cooperatives increased their savings deposits by 2.1 billion yuan, with the balance at year's end reaching 10.1 billion yuan. The average monthly balance for all deposits was 10.5 billion yuan, a 22.8 percent increase over the previous year; apart from the paid-up deposit reserves and the turnover funds for withholding, the average monthly total of available funds among the province's credit cooperatives reached 6.5 billion yuan, an increase of 27 percent over the previous year. New situations developed in four areas of fund-raising work as a whole:

1. The reputation of the credit cooperatives was improved. With fierce competition for savings deposits, the credit cooperatives undertook active advertising for savings, which greatly exceeded the previous year's in both depth and breadth; radio, television, and print advertising was more widely utilized, and other new forms of advertising continued to spring up; with major improvements in coverage, the cooperatives' reputation was steadily strengthened, and more and more peasants turned to deposits in credit cooperatives. In 1986, the average peasant household increased its deposits by 130 yuan.

2. Credit outlets opened everywhere, both in the cities and in the countryside. As the rural commodity economy develops, and peasant incomes continue to grow, demands on the cooperatives' deposit services continue to rise. The province's credit cooperatives opened up 68 new branches in market towns where economic activity is especially brisk; urban and suburban credit cooperatives opened up 293 new savings banks in combined urban and rural departments and in farm trade markets in county seats. At year's end the province had 1,066 savings banks and 1,035 branch credit cooperatives, with an average of 16 per county.

3. Operations conducted by field personnel increased. The various credit cooperatives adopted mini-plans for field personnel, assessing them periodically and adopting measures to reward the industrious and penalize the lazy, using economic methods to mobilize the enthusiasm of field personnel for handling savings operations. The many farm credit personnel took up-to-date savings information into the villages, providing services to households, not only offering advice on developing production to enterprises and farm families but also taking in large sums of collective and individual deposits. Comrade Shen Ruihua [3088 3843 5363], a provincial model worker, went around to villages and households month after month, taking in 10,413 deposits in 1986, amounting to 1.5 million yuan, or an average of 29 deposits and 4,110 yuan a day.

4. Credit agency operations are increasing steadily. At the end of 1986, there were 44,894 credit agencies in the province. In the last year, the focus has been on ideological reorganization, organizational consolidation, and professional guidance for credit agencies, which has ensured the healthy development of credit agencies. At year's end, the credit agencies had more than 3.27 billion yuan in savings deposits, an average of 730,000 yuan per agency and an increase of 14,000 over the previous year; the deposit balance at the Zhuji Village Credit Agency in Zhijie District, Yantai, reached 9.36 million yuan.

II. Results of Application of Funds Clearly Improved

In 1986, the province's credit cooperatives issued 10.4 billion yuan in loans, a 42 percent increase over the previous year; the average monthly balance for all loans was 5.8 billion yuan, accounting for 55 percent of the average monthly balance of all deposits, an increase of 480 million yuan over the previous year. The cooperatives made full use of differences in time, place, and project, rationally adjusting the application of funds in order to achieve optimum benefits for society and for themselves. By rationally regulating the direction in which funds were used, they promoted development of the rural commodity economy, and development of the commodity economy in turn causes the cooperatives' deposits to grow, so that their funds are beginning to create a benign cycle. Three new features characterized the overall direction of credit:

1. Agricultural production loans increased more than did other types of loans. All the credit cooperatives conscientiously implemented the policy of "refusing to slack up on grain production while positively developing diversification." They issued 46.6 percent more loans for planting, stock-

raising, and other types of production than they did the year before; the proportion of production loans rose from 25 percent to 36.1 percent. The increase in loans for grain production was especially great.

2. Loans to enterprises for circulating funds increased more than did loans for fixed assets. The rapid growth of township enterprises has created a shortage of funds, and the credit cooperatives, following the principle of "differential treatment and priority support" according to local natural resources and characteristics, are shifting the focus of their work over to helping enterprises deal with reorganization, consolidation, reform of technology and equipment, and improving management levels; they have given outstanding support to enterprises in exploiting their potential, reforming, reorganizing, producing well-known, exchange-generating products, and horizontal economic integration. In the course of the year they issued 5.28 billion yuan in loans to township enterprises; loans for circulating funds increased by 63 percent over the previous year.

3. Scientific and technical loans to agriculture increased more than ordinary loans. As the rural commodity economy develops and the transmission of economic information is speeded up, peasant demands for the application of scientific methods are becoming more pressing; given this change in the demand for funds, the credit cooperatives are giving priority to supporting model, scientific peasant households that adopt superior varieties and breeds, scientific fertilizer application, expanded use of compound feeds, and various agricultural technologies, and loans issued for these purposes increased sharply over previous years.

III. Greater Exploitation of Internal Potential

The province's credit cooperatives adopted varied measures to strengthen accounting; this exploited their internal potential and strengthened their capacity for self-transformation and self-development. Four changes occurred:

1. Deposit patterns became more rational. In the last year, the cooperatives continued to pay attention to readjusting deposit patterns. They changed the artificial approach of encouraging fixed deposits and enthusiastically pursued deposits by individual industrialists and businessmen and collective deposits, raising the proportion of low-interest deposits.

2. Overdue loans were activated. In order to activate credit funds, several measures were taken: the "Lending Contract Regulations" were given greater publicity, which had a positive effect on recovering overdue loans. Loans to large, specialized households were cut back; cutbacks and recovery were especially strict for those households lacking an assured supply of raw materials, whose products were not selling well, and whose technical levels were low. The clearing up of small, old loans was promoted, with the settlement of each being recorded, and recovery plans were implemented. In 1985, 19.85 million yuan in small, old loans from before 1983 was recovered, accounting for 15 percent of the balance at the start of the year; 108.1 million yuan in risky loans was enthusiastically cleared up and recovered accounting for 71.2 percent of the total; loan arrears of 3.66 million yuan, or 66.5 percent of the total, were collected from closed enterprises.

3. Costs were lowered. While strengthening financial management, cooperatives everywhere paid attention to controlling costs, especially medical expenditures and agents' fees. Operations handled by credit cooperatives may not be turned over to credit agencies, nor can operations transacted by field personnel be recorded in agency ledgers to increase agency remuneration without justification. It was also stipulated that credit agencies without a certain amount of deposits will not be allowed to issue loans, thereby lowering costs.

4. The economic responsibility system was perfected. In order to fully mobilize the enthusiasm of credit cooperative staff and workers, the provincial banks have formulated and completed an accounting method based on amount of surplus. All the credit cooperatives have instituted a personal responsibility system combining responsibility, authority, and profit, based on a 100-point assessment. Most of the cooperatives have implemented a double floating system for wages and bonuses in order to clarify job authority, achieve responsibility, make stringent assessments, and distinguish rewards and penalties, which has fully mobilized the enthusiasm and creativity of staff and workers. In order to continue realizing a surplus in each cooperative, banks at all levels have reinforced their guidance of low-profit cooperatives and adopted methods of staying with the cooperatives so as to assist those making low profits to transform their backward status and achieve better results.

13322

CS0: 4006/690

SICHUAN TOBACCO SALES

Chengdu SICHUAN RIBAO in Chinese 7 May 87 p 4

[Article by Yang Xiaohan [2799 1420 1383]: "This Year's Cigarette Sales Trends in Sichuan"]

[Text] Tobacco sales in Sichuan this year broke through the two million pack threshold, increasing by 10.3 percent over 1985; the increases for grades A, B, and C were 70 percent, 17 percent, and 10 percent, respectively, while grades D and E declined by 14 percent. It is forecast that this year cigarette sales in Sichuan will continue their steadily rising trend, with total sales of approximately 2.1 million packs. These sales will be characterized as follows:

1. The proportion of cigarettes produced within the province will increase, and sales in rural areas will continue to rise. With further readjustments in the product mix, improved quality, and increased production of varieties that sell well, it is forecast that cigarette production in Sichuan will reach 1.45 million packs this year; this figure will include 100,000 packs of grade A cigarettes, and 800,000 packs of grade B. Cigarettes produced in Sichuan will account for approximately 70 percent of total sales. Rural cigarette sales will reach 1.5 million packs, an increase of 11 percent over 1986, and rural sales will account for about 70 percent of the total.
2. The supply of grade A cigarettes will increase, but the gap between supply and demand will be greater. According to forecasts, the demand for grade A cigarettes in Sichuan will account for about 15 percent of total market demand; because of restrictions due to the availability of raw and supplemental materials and on supplies from outside the province, it is forecast that the supply of grade A cigarettes will be about 200,000 packs, an 18 percent increase over 1986. Because of an inadequate supply of grade A cigarettes and higher rural consumption levels, consumers will turn to grade B cigarettes. Sales of grade B cigarettes are forecast at 1.0 million packs this year, an increase of 28.37 percent over last year, accounting for about 47.62 percent of total sales. Sales of grade C cigarettes will be around 600,000 packs, basically the same as or slightly above last year. Grade D cigarettes are continuing their downward trend, with sales of about 300,000 packs, a drop of 23 percent from 1986.
3. Cigarette types are tending towards blends and safety. The blended cigarette products produced in Sichuan, such as Huaxi, Juyongguan, Konglong, Baoguang, and Shuangye, will win the favor of consumers.

BRIEFS

DAIRY CATTLE--Beijing, 5 Jun (XINHUA)--The number of dairy cattle in China has increased 125 percent since 1982 to reach 1.84 million. According to statistics released at a national meeting of the country's dairy cattle association, "last year, milk output hit 2.86 billion liters, which was 76.5 percent higher than in 1982." China has been breeding more high-yield dairy cows, and has raised 8.6 million draught cattle and buffalo which are good for producing both milk and beef. Since 1983, China has imported over 10,000 holstein cows, 400 stud bulls, and 40,000 ampules of frozen semen for artificial insemination. "Milk projects, aided by the World Food Program in six major cities, are doing well," an official attending the meeting reported. "China is encouraging individuals to join state and collective projects in raising dairy cows," the official said, adding local animal husbandry offices and branches of the association are offering assistance in farm design, milk processing and marketing, and breeding techniques. [Text] [Beijing XINHUA in English 1210 GMT 5 Jun 87 OW] /9599

SICHUAN FARM MACHINE SALES--In the first quarter, the industrial output value of the farm machine industry in Sichuan Province was 184,900,000 yuan, a 23.6 percent increase over the same period in 1986; total sales were 111,600,000 yuan, an 87.5 percent increase over the same period in 1986. [Excerpt] [Beijing ZHONGGUO NONGJIHUA BAO in Chinese 16 May 87 p 3]

TIANJI FARM MACHINE SALES--In the first quarter, the industrial output value of the farm machine industry in Tianjin Municipality was 8,858,500 yuan, a 36.2 percent increase over the same period in 1986, and total sales were 34,530,000 yuan, a 26.65 percent increase over the same period in 1986. [Excerpt] [Beijing ZHONGGUO NONGJIHUA BAO in Chinese 23 May 87 p 3]

YUNNAN SUGAR OUTPUT--During the pressing season just concluded (1 Dec 86-30 April 87) gross output of sugar in Yunnan Province was 521,500 tons; 4,740,000 tons of sugarcane were supplied to sugar refineries in the province, an increase of 700,000 tons over the last pressing season. As of 30 April, Yunnan had shipped 200,000 tons of sugar to other provinces, an increase of 80,000 tons over the last pressing season. [Excerpts] [Kunming YUNNAN RIBAO in Chinese 14 May 87 p 1]

HUBEI FARM PRODUCT SALES--In the first 4 months of 1987, Hubei Province sold 186,400 tons of cotton, an increase of 42.1 percent over the same period in 1986. During the same period, ramie sales increased 158 percent; at the end of April 252 tons were in stock, a 69.4 percent decrease. Jute and ambari hemp sales increased 35.3 percent in the same period. [Excerpts] [Beijing NONGJIN RIBAO in Chinese 30 May 87 p 2]

CULTURE MINISTRY URGES PROTECTION OF RELICS

OW081709 Beijing XINHUA in English 1456 GMT 8 Jun 87

[Text] Beijing, 8 Jun (XINHUA)--The Ministry of Culture has urged Chinese cultural workers at all levels to give top priority to the protection of relics and contribute to the crackdown on the smuggling of cultural relics abroad.

In a circular issued recently, the ministry said that employees in the cultural administration departments should help publicize the public notice issued by the State Council late last month on cracking down on the robbing of ancient tombs and relics smuggling abroad, which have been running rampant in recent years.

Museums at all levels must conduct surveys on the safety of their own relics and complete registering of all the relics within this year, according to the circular.

The ministry noted that special teams should be organized in areas near ancient tombs, ruins of ancient buildings and kilns. It recommended that local people be recruited for this purpose.

Promotion of officials and assessment of professional posts for employees in cultural administration departments will depend on how well relics under their care are protected, according to the circular.

Cultural workers have also been urged to cooperate with police departments and customs in the crackdown on robbery of ancient tombs and relics smuggling.

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BRIEFS

NEW PUBLISHING HOUSE--Beijing, 9 Jun (XINHUA)--A publishing house which will publish books at writers' own expense was set up here today. The non-profit Wenjing publishing house will publish all kinds of academic works, selected works and reference books. The publishing house will operate under the leadership of the Beijing Publishing House and its establishment has won approval of the media and publications administration of the People's Republic of China. The establishment of the publishing house will make it easier for writers to get their research books published and they themselves will be responsible for the distribution. Those who apply for publication of their books must be Chinese including compatriots from Taiwan, Hong Kong and Macao, as well as overseas Chinese. [Text] [Beijing XINHUA in English 1208 GMT 9 Jun 87] /9604

CSO: 4000/100

MILITARY, PUBLIC SECURITY

JINAN MR LEADER SONG QINGWEI SPEAKS ON ARMY-CIVILIAN UNITY

SK100341 Jinan Shandong Provincial Service in Mandarin 2200 GMT 9 Jun 87

[Text] On 8 June, at the telephone conference of the Jinan Military region on strengthening unity between the army and the people and between officers and men, Song Qingwei, deputy political commissar of the Jinan Military Region, pointed out the necessity of carrying forward the fine tradition of the region and vigorously strengthening the unity between the army and the people and between the army and the government in the course of building the grassroots organizations.

He said: Over the past few years, the relations between the army and the government and between the army and the people have been good in general, though some problems remain. Owing to the lack of the mass viewpoint and the sense of policies and disciplines, a few comrades have violated discipline in relations with the masses; and some units have failed to conscientiously handle such cases that emerged in the PLA units.

Song Qingwei stressed: At present, we should vigorously strengthen the unity between the army and people; should go all out to carry forward the good traditions of maintaining unity between the army and people, supporting the government and cherishing the people, and stressing the three main rules of discipline and the eight points for attention; and should cherish the energetic support and cordial concern of the local government and the people to the PLA units. We should conduct a large-scale inspection on maintaining discipline in relations with the masses, and appropriately handle the problems in this respect. In addition, we should continue to participate in the construction of the local key projects and the social public welfare undertakings, help the masses extricate themselves from poverty and become prosperous, extensively launch the activities of learning from Lei Feng and doing good things, and maintain a close relation between the army and the people in order to greet the 60th anniversary of the PLA founding with new achievements.

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CSO: 4005/748

AIR FORCE TRAINS PILOTS FOR FOREIGN COUNTRIES.

OW100954 Beijing XINHUA in English 0939 GMT 10 Jun 87

[Text] Shijiazhuang, 10 June (XINHUA)--An academy of the Chinese People's Liberation Army Air Force division has trained fighter pilots, navigators and other military personnel for nine countries over the past 30 years.

Known as China's "cradle of fighter pilots," the academy has also turned out thousands of qualified fighter pilots for the country's own Air Force and Navy since the school was founded in December 1949.

Many of the foreign pilots trained at the academy have become high-ranking officers when they returned home, and some have even become commanders.

Wang Hai, commander of China's Air Force, and Li Yongtai, the Air Force's deputy commander, are also graduates of the Academy.

The Academy began offering training to foreign pilots in 1954, and cooperation and exchange with other countries has steadily increased. Over the past 30 years, the Academy has hosted visitors including foreign diplomats and military delegations representing 90 countries.

"The academy has also sent some military personnel to visit other countries or complete military training abroad," an officer from the academy told XINHUA.

"Now the Academy uses 21 types of planes in teaching and training, including Chinese-made jet trainer aircrafts," the official said, adding computerized flight simulators are now used instead of conducting actual flight training session, and pilots can learn take-off and landing, in-flight operations, and acrobatic and formation maneuvers by using the simulators.

Academy trainees are selected from the graduates of other pilot schools. During their training at the Academy, they study 15 subjects on aeronautical theory including aeromechanics, aircraft structure, flight dynamics, navigation, military skills and aeronautical psychology.

The official said, "nearly 1,000 films and videos on these subjects have proved to be effective in raising teaching quality."

Beginning this August, the Academy will recruit all students from the ranks of college and university graduates.

PLA NAVY IMPROVES OCEANGOING LOGISTICS

OW090230 Beijing XINHUA Domestic Service in Chinese 2347 GMT 6 Jun 87

[By Huang Caihong]

[Text] Beijing, 7 June (XINHUA)--Li Chunming, Director of the PLA Navy Logistics Department, told a XINHUA reporter that the Chinese Navy now has the capability of ensuring logistics to fleets at sea. Naval vessels on the high seas in the Pacific and Indian Oceans are now able to obtain fuel, freshwater, staple and non-staple foods, daily necessities, and other equipment and supplies.

He said: The Navy Logistics Department has all types of service ships including hundreds of supply ships, oil tankers, freshwater carriers, survey ships, and transports. The total tonnage of service ships now is nearly four times that of a decade ago.

[RENMIN RIBAO of 8 June quoted this XINHUA report as follows: "The total tonnage of the service ships has increased by over 200 percent over that of 10 years ago."] In recent years, the department has also sent out oceangoing vessels to supply fuel and freshwater. In coordination with warships, these supply ships can loan dry or wet cargo from either the port or starboard side and facilitate personnel rotation. Their efficiency in providing supplies is fairly high. These supply ships have greatly increased the Navy's capabilities in ensuring logistics.

It has been reported that the longitudinal refueling system at sea, successfully developed by the Navy and some local scientific research units, has already been installed on 1,000-ton or larger Navy oil tankers. At the same time, the Navy has also successfully developed overhead steel rope loading and unloading facilities for beaches or coastal areas without berths or moorings in order to provide more ways to ensure logistics at sea. Naval military harbors, airfields, supply centers, warehouses, oil depots, hospitals, maintenance centers, service ships, and other modern equipment and facilities have formed a network to ensure logistics at sea and effectively raise the Navy's capabilities in providing comprehensive logistics and promptly supporting naval fleets. When a naval fleet sailed to the South Pacific for the first time in 1980, it was given logistics supplies nearly 60

times at sea. Oceangoing fuel and freshwater supply ships have also carried out their tasks in various forms and weather conditions. In May this year, the oceangoing supply vessel "Fengcang" successfully supplied oil and food from its port, starboard, and stern to two cruisers and one convoy ship at the same time in the Pacific Ocean. This is something new in the annals of the Chinese Navy.

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CSO: 4005/748

LIAOWANG OUTLINES GROWTH OF PLA AIR FORCE MISSILE UNIT

HK100835 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 23, 8 Jun 87

[Article by Cai Shanwu (5591 0810 2976): "The Growing Air Force Surface-to-Air Missile Unit"]

[Text] China's Air Force has developed into a modern army with combined arms units composed of air units, airborne units, surface-to-air missile units, antiaircraft artillery units, radar units, and communications units. Of these, the development of the SAM units is particularly conspicuous.

This Air Force SAM unit has grown from the seminal unit praised by the late Marshal He Long.

During the late 1950's, China's Air Force established its first SAM unit. The officers and men of this unit left their footmarks from the windy and dusty northwest to the cloudy and drizzly south. In the short period of only a few years, they succeeded in shooting down U-2 high-altitude reconnaissance and spy aircraft which intruded into China's territorial air space, on five occasions.

Over the past 20 years or so, the Central Military Commission has cited the unit on many occasions. A total of 9 groups and 240 individuals, and 4 groups and 110 individuals of this unit have won first and second class merit citations, respectively. In January 1964, the Ministry of National Defense conferred the title "Combat Hero of the Air Force" on Yue Zhenhua, former chief of the unit. In June the same year, the Ministry of National Defense conferred the title "Heroic Unit" on the unit. On 23 July that year, Mao Zedong, Zhou Enlai, and other leaders met with all officers and men of the unit at the Great Hall of the People.

With the growth of the people's Air Force, this seminal unit has continuously sent talented people to Air Force units in all localities. As a result, SAM units developed into divisions (now changed to brigades) and regiments, constituting an important combat force in the Air Force.

To speed up the modernization program, the Air Force leading bodies transferred large numbers of intellectuals from the organs, troops, and academies to the unit to undertake command and technological work and vigorously strengthen the building of the missile academy. More than 80

percent of the officers at the brigade, regiment, and battalion levels of the unit have college education. Some of the brigade commanders are graduates majoring in missile science. They are the backbone of army modernization. They have led the officers and men in conducting scientific research and applying new technology to transform existing equipment. More than 40 scientific and technological results have been achieved in recent years. Thanks to the popularization of these results, an integrated system from weaponry to training of qualified personnel, from combat training to tactical study, and from use and maintenance to deployment has taken shape in this new unit.

Microcomputer technology has been applied extensively in the unit's training and duty work. Progress has also been made in applying software to simulated operations. The antiaircraft simulated system developed by scientists can make quantitative analysis of assumed air-raids and the course and results of antiaircraft operations, thus providing a basis for commanders to make tactical studies, assess operation plans, and decide on modes of operation.

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CSO: 4005/748

PLA DEVELOPS NEW ARTILLERY COMMAND SYSTEM

HK080917 Beijing GUANGMING RIBAO in Chinese 25 May 87 p 2

[Report by Guo Jianyao (6753 1696 6460) and Ma Xinling (7456 2450 7325):
"Platoon Leader Cao Jinlong and Others Develop an Advanced Artillery Modern Command System"]

[Text] After studying assiduously, Cao Jinlong, Lu Xiang, Jiang Tao, and Ren Xiaotong, four university graduate platoon leaders of a PLA artillery brigade, succeeded in developing an artillery modern command system of an advanced world level. Last April, in line with their special contributions, the PLA unit party committee awarded each of them a Citation of Merit, Third Class, and gave them promotions.

Two years ago, Brigade Commander Yan Xueyi led the four platoon leaders in starting the development of an artillery modern command system. During this period, with the all-out cooperation of 207 research institutes, they ate and lived in the institutes for 6 months, quietly immersing themselves in data, materials, and experiments. After upgrading products four times, they succeeded in developing the present artillery modern command system of an advanced world level, which reduces the time for spotting objectives to firing shells by about 3 minutes and which enables each detonation point to accurately cover the target. The customary practice of human eye observation, manual calculation, decisionmaking by experience, and oral command has been replaced by laser observation, microcomputer calculation, scientific decisionmaking, and digital command. At the end of last year, the system passed inspection tests and was awarded a Citation, First Class, by the General Staff Department. The application of this command system has created a new record for quick reaction in the history of our artillery.

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CSO: 4005/748

BRIEFS

PARATROOPERS NOW ALL WEATHER FORCE--Beijing, 9 June (XINHUA)--China's Airborne Landing Force is now capable of operating in all meteorological and topographical conditions, according to Li Lianghui, commander of the force. Another senior officer said that the force now consists of infantry, artillery, engineering, antichemical warfare and air units. "Our paratroopers have conducted exercises in cooperation with the ground forces, Navy, Air Force and militiamen over the past few years," he said, adding that they have also helped rescue flood and earthquake victims, and put out forest fires. There are special brigades for training new recruits and others for training officers, and a research institute for the study of foreign paratroop units. To date, 1,012 officers have graduated from military academies and colleges. [Text] [Beijing XINHUA in English 1210 GMT 9 Jun 87 OW] /12913

ADMINISTRATIVE COSTS CUT--Beijing, 8 June (XINHUA)--During the first five months of this year, administrative expenditure of the Air Force decreased by more than 10 percent over the same period last year. At the beginning of this year, leading organs of the Air Force formulated eight measures for increasing income, decreasing expenditure, and practicing frugality; put forward clear-cut targets for curbing expenditures on conferences and controlling institutional purchasing power; defined authority for making examinations and giving approvals; and frequently dispatched work teams to inspect and supervise grassroots army units. Leading cadres at all levels have exercised strictness in making examination and giving approvals. This reporter examined a dozen or so application for purchasing restricted commodities at the financial department of the Air Force and found that restricted commodities approved for purchasing were well within the regulations and that purchases of luxurious and nonproductive commodities such as sedans, videocassette recorders, air conditions, and refrigerators were all disapproved. Saving from the above items alone amounted to more than 660,000 yuan. [By reporter Sun Maoqing] [Text] [Beijing XINHUA Domestic Service in Chinese 0158 GMT 8 Jun 87 OW] /12913

JIAGXI MD TRAINS COUNTY CADRES--The Jiangxi Military District started a training class for directors of county people's armed forces departments and chiefs of county military affairs section on 1 April. Present at the opening ceremony were Comrade Wang Baotian, commander of the military district; Comrade Shen Shanwen, deputy commander of the military district; Comrade Wei Changan, deputy political commissar of the military district; and Comrade Chen Lijiu, director of the political department of the military district. Wang Baotian spoke during the ceremony. Shen Shanwen serves as the director of the training class. The trainees will be taught theories on building army reserve forces and the militia and reserve service work. They will also be given major militia weapons training. [Text] [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 2 Apr 87 OW] /12913

CHENGDU ANNOUNCES RESULTS OF CRACKDOWN ON CRIME

HK070211 Chengdu Sichuan Provincial Service in Mandarin 0000 GMT 7 Jun 87

[Text] The Chengdu city public security bureau held a press briefing yesterday, which announced that the city public security organs started their first concentrated drive to catch and arrest offenders on 4 June in the course of the struggle to crack down on active criminals and rectify public order. The five districts of the city and Wenjiang, Dayi, and Xinjin counties launched the drive together. By yesterday, they had arrested 567 criminals of various categories, conducted education through labor for 361, and educated 27 juvenile offenders. They had also smashed 233 criminal gangs. Over 10,000 public security cadres and policemen and activists in joint protection and public order work took part in the drive to step up patrols and catch criminals. They also cleaned out premises where criminals engage in conspiratorial activities.

During the struggle, over 700 bicycles, 30 motorcycles, and other materials and cash were recovered, with a total value of nearly 800,000 yuan. These items and more money are now being returned to their owners.

When a reporter of this station asked at the briefing why this concentrated crackdown is being conducted at the present moment, a responsible official of the city public security bureau said: We have persistently waged the struggle to crack down on serious crime ever since 1983. As a result there has been a marked turn for the better in public order in Chengdu. However, due to the fact that the class struggle will exist to a certain degree for a long time to come, and decadent bourgeois ideas and life styles will penetrate in the wake of opening up to the world, at present, with the increased flow of people, money, and materials in Chengdu, certain incorrigible criminals have gone back to their old ways after feeling disheartened for a time. There has been an increase in serious crime in Chengdu this year, especially in three respects:

1. There has been an increase in murder, theft, and injury cases.
2. There has been a revival of illegal and criminal cases of thug gangs involved in theft, snatching, taking liberties with women, and so on.

3. People who commit burglary and pick pockets have become very arrogant.

In order to promote a turn for the better in public order, do still better in reforms, opening up, and invigoration, and protect life and property of the state and people, it was therefore essential to carry out a concentrated crackdown to uphold the dignity of the law.

Although this concentrated action has now concluded, the public security organs will continue to crack down hard on serious crime. We are unswerving in this. We have also formulated specific plans and measures.

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CSO: 4005/740

RENMIN RIBAO LAUDS MODEL SCHOOL IN WUHAN

HK081051 Beijing RENMIN RIBAO in Chinese 22 May 87 p 3

[Report by Liu Xueyan (0491 7185 7159): "Liangdaojie Middle School in Wuhan City Rectifies Its Guiding Thought for Running a School"]

[Excerpts] Liangdaojie Middle School in Wuhan, which used to be discriminated against and regarded as a "collecting post of inferior pupils" in the past, has now turned out to be an advanced collective of the country's educational system. If this school had a "magic weapon," then this would be the school's clearly defined guiding ideology for its operation--the idea that transforming an inferior pupil is just as glorious a job as fostering a superior pupil.

Liangdaojie Middle School was a junior secondary school which evolved from a primary school in 1978. Around this school there are a number of key middle schools run by the province, the city, and the district. Over 80 percent of this school's pupils are those who have failed to gain admission to these schools around it. Many of them did not study well during their primary years, and they are ignorant of morality and legal system. Some of them got a mere 17 marks in total for the two subjects of Chinese language and mathematics in their entrance examination.

But the leading people of Liangdaojie Middle School have never lost heart. They declared that they would not compete with key and brand name schools in terms of school conditions and proportion of pupils entering schools of a higher grade but in terms of their love for inferior pupils and the proportion of inferior pupils transformed into good ones. They have encouraged teachers to focus on the demand that the modernization program has made on the cultural quality of the whole nation, and they have put forth the slogan that "transforming an inferior pupil is just as glorious a job as fostering a superior pupil."

In the past 8 years, the more than 100 teachers and staff members of this school have devoted their entire energy and thought to building a good school and they have done an excellent job indeed: the average proportion of inferior pupils in a class has been reduced from 80 percent when the class enters the school to 20 percent on graduation; the pupils'

passing percentage has risen from 11 percent in 1981 to 93 percent in 1986; and the percentage of juvenile delinquency has always remained zero. Liangdaojie Middle School also occupies a place in subject performance contests and sports games for pupils held by the state, the province, and the city. Now many parents come to ask the school to admit their children. Some parents even intend to transfer their children currently studying in province- or city-run key middle schools to Liangdaojie Middle School.

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CSO: 4005/740

HENAN CIRCULAR ON PARTY MEMBERS' VANGUARD ROLE

HK050929 Zhengzhou Henan Provincial Service in Mandarin 2200 GMT 4 Jun 87

[Text] The organization and propaganda departments under the provincial party committee and the provincial discipline inspection commission recently issued a joint circular announcing the decision that, starting June this year, it is imperative to spend 6 months conducting discussions among party members throughout the province on the image of party members in the new period, and on how to give full play to the exemplary vanguard role of party members.

The circular said: In conducting such discussions, party organizations at all levels must organize their party members, and particularly their leading cadres, to conscientiously study the party constitution and norms, and the two books, namely, "Uphold the Four Cardinal Principles and Oppose Bourgeois Liberalization," and "Build Socialism With Chinese Characteristics." In addition, they must guide their party members toward fully understanding the reasons for party members to give full play to their exemplary vanguard role in the new period, and the ways to give full play to such a role in the new period. They must also enable the vast numbers of party members to further strengthen their faith in communism, to foster the idea of wholeheartedly serving the people, to enhance their party spirit and their sense of responsibility to the party organization and discipline, and to strengthen their sense of the legal system, their sense of policy, and their sense of the masses. Moreover, they must enable their party members to conscientiously lead the masses in correctly implementing the line, guiding principles and policies adopted since the 3d Plenary Session of the 11th CPC Central Committee, for the purpose of making positive contributions to building the two civilizations.

The circular stressed: In conducting such discussions, we must uphold the principle of integrating theory with practice, and adhere to the guiding principles for sticking to positive education, encouraging the free airing of views, and mediating between and guiding different parties. Party organizations at all levels must treat the task of successfully conducting such discussions as an important item on their agenda. In

conducting such discussions, all departments under party committees must act in close coordination, strengthen the work of supervising, checking up on, and guiding such discussions, and constantly promote the in-depth development of such discussions. Responsible party organization comrades at all levels must take the lead in studying documents, participating in discussions, and writing articles in this regard, and take concrete actions to guide their subordinate units' party members to successfully promote such discussions.

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CSO: 4005/740

SOUTHWEST REGION

REGIONAL

BRIEFS

STUDY COURSE IN SICHUAN--According to SICHUAN RIBAO, a course run by the party committee of the provincial organs to study the two books "Build Socialism With Chinese Characteristics" and "Adhere to the Four Cardinal Principles and Oppose Bourgeois Liberalization" concluded on 3 June after 2 weeks in session. The 220 participants included leading cadres responsible for political and ideological work in the various organs, secretaries of party committees, and propaganda and theory cadres. Nie Ronggui, deputy secretary of the provincial party committee, and Gu Jinchi, member of the standing committee of the provincial party committee and vice governor, lectured to the participants on the importance of studying these two books. This study course trained some organizational and guidance forces for the study of the two books by cadres at all levels in the provincial organs. [Excerpts] [Chengdu Sichuan Provincial Service in Mandarin 0000 GMT 9 Jun 87] /9604

CSO: 4005/740

XINJIANG HOLDS UNITED FRONT, NATIONALITIES WORK CONFERENCE

Yan Mingfu Addresses Meeting

HK060303 Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 5 Jun 87

[Text] Yan Mingfu, director of the CPC Central Committee United Front Work Department, spoke at the regional conference on united front and nationality work today. He expressed the hope that the united front and nationality work cadres of all nationalities will do even better in united front work and make even greater contributions in consolidating and expanding the patriotic united front, strengthening nationality solidarity, promoting the building of socialist material and civilization in Xinjiang, and stimulating the common prosperity of all nationalities.

Yan Mingfu said: The people of all nationalities in Xinjiang have glorious revolutionary traditions. They have made tremendous contributions in the great undertaking of defending and building the motherland's border. The party committees at all levels attach great importance to united front, nationality, and religion work. A great deal of careful work has been done in implementing the united front policies. This is now one of the best periods for united front work since the founding of the state.

Yan Mingfu said: Doing a good job in nationality work is a great affair of primary importance in Xinjiang. The historical experiences of the past few decades have proved that China's system of autonomy for nationality regions is correct and superior, and accords with China's national conditions. It is able to withstand the test of history. This system has already become one of the aspects of building socialism with Chinese characteristics. We must step up coordination in all aspects, and further implement the law on autonomy of nationality regions. We must continue to train large numbers of minority-nationality cadres. We should not only pay attention to their number; more important, we must pay attention to improving their quality.

We must put economic work in the first place in nationality work. We must mobilize the forces of all sectors to support poor minority-nationality areas.

Yan Mingfu said: We must further strengthen the great solidarity of nationalities. The Xinjiang Uygur Autonomous Region is a great family of nationality love and friendship and is also a member of the great motherland's great family of nationality love and friendship; it is an inseparable part of

the great motherland. What is most needed between the fraternal nationalities is trust and unity. We believe that as a result of long-term party education and testing, the cadres and masses of all nationalities in Xinjiang fully understand the great importance of mutual trust and will spontaneously preserve nationality solidarity.

Yan Mingfu said: Doing a good job in work concerning religion is of great significance in Xinjiang. Protecting freedom of religious belief is a long-term basic policy of the party on the question of religion. The most fundamental thing in doing a good job of work concerning religion is to strengthen leadership and control.

Editorial Promotes Nationality Work

HK070139 Urumqi Xinjiang Regional Service in Mandarin 0000 GMT 7 Jun 87

[Report on 7 June XINJIANG RIBAO Editorial: "Raise United Front and Nationality Work to a New Level"]

[Text] The editorial says: Patriotic united front work has entered a new historic stage since the 3d Plenary Session of the 11th CPC Central Committee. In accordance with the new situation and characteristics of this work in the new period, the future main tasks of united front work in Xinjiang are to base efforts on the region's realities, focus on doing a good job in nationality and religion work, make a success of work regarding the democratic parties and the CPPCC, promote economic united front work, mobilize all positive factors to the maximum extent and unite all forces that can be united, to serve the effort to consolidate and develop the political situation of stability and unity in the region and speed up of building the two civilizations in Xinjiang.

The editorial points out that Xinjiang is a multinationality region, and doing a good job in nationality work is a major affair of primary importance. We must understand more clearly that the general guiding idea for nationality work in the new period is to adhere to the four cardinal principles and to the basic national strategy of reform, opening up, and invigoration; in close connection with the reality of the minority-nationality areas and the minority nationalities, basing the work on the equality, solidarity, and progress of the nationalities, on learning from each other, and becoming rich together, we should take economic construction as the core in achieving all-round political, cultural, economic, and cultural development of the minority nationalities, continually consolidate the new-style socialist nationality relations, and attain the common prosperity of all nationalities. We must strive to implement this guiding idea in our practical work.

The editorial says: United front and nationality work is important party work. To raise this work to a new level in Xinjiang, the party committees at all levels must further strengthen and improve leadership over it and place it in an important positive on their agenda. The party and government leadership at all levels in the region must seriously implement the spirit of this united front and nationality work conference and strive to create a new situation in this work. They should further mobilize the initiative of all nationalities

and sectors, the democratic parties, and non-party patriotic figures, to strive to fully implement the line, principles, and policies since the 3d Plenary Session of the 11th CPC Central Committee and speed up the building of the four modernizations in Xinjiang.

Ismail Amat Promotes Nationality Solidarity

HK100253 Urumqi Xinjiang Regional Service in Mandarin 1200 GMT 9 Jun 87

[Text] Ismail Amat, minister of the State Nationalities Affairs Commission, pointed out in a speech at the regional united front and nationality work conference on 6 June that in doing a good job in nationality work in the new situation, it is essential to act in the spirit of the two basic points in the line of the 3d Plenary Session of the 11th CPC Central Committee, that is, adhere to the four cardinal principles and adhere to the general principle and policy of reform, opening up, and invigoration.

Ismail Amat said: the minority-nationality people have profoundly felt from a long period of historical experience that only by adhering to the four cardinal principles can the liberation they have gained be completely guaranteed, can nationality solidarity be ensured, and can we ensure that the nationalities will advance along the socialist road and proceed to communism in the future. Only by persevering in reform, opening up, and invigoration can the minority-nationality areas continually develop their social productive forces, promote their economic and cultural construction, improve the material and cultural living standards of the nationalities, ensure the common development and prosperity of each minority nationality, and thus build socialism with Chinese characteristics.

He pointed out: Nationality work must be centered on economic work. It is also necessary to do a good job in strengthening nationality solidarity, practicing the autonomy of minority-nationality regions, and developing nationality education, culture, science, and public health. The minority-nationality areas must simultaneously build socialist material and spiritual civilization.

Ismail Amat stressed: We must seriously implement the law on autonomy of minority nationality regions, develop socialist nationality relations of equality, solidarity, and mutual assistance, stimulate the initiative of all autonomous localities and nationalities in acting as master of the house, further promote economic and cultural construction, and speed up the all-round development of the autonomous localities.

Ismail Amat pointed out in conclusion: We should further strengthen the great solidarity of the nationalities. This is the guarantee for the state to enjoy a long period of tranquillity, smoothly build the four modernizations, and carry out reform and opening up. We must further develop the excellent situation of nationality solidarity, do a still better job in this respect, and strive for new developments and achievements in nationality work in the region, to make still greater contributions to nationality work throughout the whole country.

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CSO: 4005/745

ZTS COMMENTS ON HONG KONG POLITICAL REFORM

HK070436 Hong Kong ZHONGGUO TONGXUN SHE in Chinese 1155 GMT 5 Jun 87

["Short" commentary by Qi Jing (7871 4842): "Why Should There Be Factions in Viewing Political Reform"--ZHONGGUO TONGXUN SHE headline]

[Text] In focusing on the review of the political structure conducted by the Hong Kong Government, it is noted that a hot debate of various opinions is going on. During this process, some phenomena are really puzzling.

Some people propose to describe those people favoring the holding of direct elections in 1988 as the "democratic faction" while calling those people with different views the "conservative faction." This is worthy of discussion. First, as direct elections are only one of the democratic means, people should not equate direct election with democracy. Second, those people who do not support holding direct elections in 1988 do not completely oppose the direct elections nor the implementation of democratic politics. They just believe that its not appropriate for the Hong Kong political structure to effect drastic changes during this period of transition for fear that the drastic changes might affect stability and prosperity and that the development of a political structure should converge with the basic law and proceed in an orderly way, step by step. Therefore, it is not fair and precise to call people of this opinion as the "conservative faction." Today, on the issue of direct elections, he might hold an opinion of opposition; and tomorrow, on another issue, he might express his approval. On the contrary, people who support holding direct elections today might oppose a certain policy of the Hong Kong Government tomorrow.

Some other people said that the "pro-China factions" do not support holding direct elections in Hong Kong in 1988. This is also worthy of discussion.

Although there are some people in Hong Kong who do not like the localist system in China, most of them support the policy of reform, opening up to the outside world, and invigorating the domestic economy, believing it to be a correct principle to vitalize China. However, these people are also of two different opinions on direct elections in 1988. In this sense, it is very difficult to tell who is in the "pro-China faction" and who is not in the "pro-China faction."

Some people regard all the personages who are NPC deputies, CPPCC members, or the members of the Hong Kong Basic Law Drafting Committee or Consultative Committee as the "pro-China faction." Nevertheless, not all these personages oppose holding direct elections in Hong Kong in 1988. Are not there some people among the members of the Basic Law Drafting Committee who loudly appealed for holding direct elections in 1988? And many of the personages proposing to prudently consider the issue of direct elections in 1988 are the so-called "pro-China faction" in some people's eyes.

In fact, it is a very normal and natural thing that the people in Hong Kong have different opinions and even debate on the development of the political structure in Hong Kong. However, it is not conducive to the expression of different opinions as well as the unity of the people in Hong Kong to classify people with different opinions into different factions, imply that some people have this or that political background, or even regard opposition or not holding direct elections in Hong Kong as a standard to group the Hong Kong people to different factions, at a time the Hong Kong people have not yet fully aired their opinions on the development of the political structure.

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CSO: 4005/749

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